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INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
Sixth session
Geneva, 7-10 December 1992

REPORT OF THE INTERGOVERNMENTAL NEGOTIATING COMMITTEE FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE ON THE WORK OF ITS SIXTH SESSION HELD AT GENEVA FROM 7 TO 10 DECEMBER 1992

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 3	2
II.	ORGANIZATIONAL MATTERS	4 - 18	3
	A. Opening of the session	4 - 8	3
	B. Adoption of the agenda	9	4
	C. Organization of work	10	4
	D. Attendance	11 - 17	5
	E. Documentation	18	6
III.	PREPARATION FOR THE FIRST SESSION OF THE CONFERENCE OF THE PARTIES AS SPECIFIED IN THE CONVENTION: ELABORATION OF A WORK PLAN FOR THE COMMITTEE	19 - 35	7
IV.	REVIEW OF EXTRABUDGETARY FUNDS	36 - 41	9
V.	CONCLUSIONS	42 - 54	9
VI.	ADOPTION OF THE REPORT	55	11

Annexes

I.	Tasks to be undertaken by the Conference of the Parties at its first session - Background note by the Executive Secretary	12
II.	List of documents before the Committee at its sixth session	16

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I. INTRODUCTION

1. The sixth session of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change was held at Geneva from 7 to 10 December 1992. The meeting was convened in accordance with paragraph 4 of General Assembly resolution 46/169 of 19 December 1991 entitled "Protection of global climate for present and future generations of mankind". In pursuance of Committee resolution INC/1992/1 on interim arrangements, the main purpose of the sixth session was "to prepare for the first session of the Conference of the Parties as specified in the Convention".

2. The Bureau of the Committee elected at the first session consisted of:

Chairman: Mr. Jean Ripert (France)

Vice-Chairmen: Mr. Chandrashekhar Dasgupta (India)
Mr. Ahmed Djoghlaf (Algeria)
Mr. Ion Draghici (Romania)
Mr. Raul Estrada-Oyuela (Argentina)

Rapporteur: Mr. Ion Draghici (Romania)

3. The Bureaux of Working Groups I and II elected at the second session consisted of:

Working Group I

Co-Chairmen: Mr. Nobutoshi Akao (Japan)
Mr. Edmundo de Alba-Alcaraz (Mexico)

Vice-Chairman: Mr. M. Mahmoud Ould El Ghaouth (Mauritania)

Working Group II

Co-Chairmen: Ms. Elizabeth Dowdeswell (Canada)
Mr. Robert F. Van Lierop (Vanuatu)

Vice-Chairman: Mr. Maciej Sadowski (Poland)

II. ORGANIZATIONAL MATTERS

A. Opening of the session

4. The sixth session was opened by the Chairman of the Committee, Mr. Jean Ripert. In his opening statement at the first plenary meeting, on 7 December, he welcomed the members of the Committee to this new phase of its work. Its last session had culminated in the adoption, by consensus, of a Framework Convention on Climate Change which had seen considerable support by member States at the United Nations Conference on Environment and Development, held at Rio de Janeiro, Brazil, from 3 to 14 June 1992. That was very encouraging and satisfying but the Convention was in fact only the start of a process. For that reason, the Committee, the Convention and the General Assembly at its forty-seventh session provided for interim arrangements to maintain the momentum to implement the Convention and to prepare for the first session of the Conference of the Parties. The current session of the Committee had been planned to provide a prompt start, benefiting at the same time from the views expressed on the Convention by the General Assembly.

5. The preparation of a programme of work leading up to the first session of the Conference of the Parties might necessitate the establishment of certain priority tasks and a timetable for action. It might also require the creation of working groups to consider special topics. The Committee would be guided by the tasks before it, presented in the documentation prepared by the secretariat as well as by the activities of the Intergovernmental Panel on Climate Change (IPCC) and the Global Environment Facility (GEF).

6. Mr. Ripert announced that for personal reasons he planned to relinquish his position as Chairman of the Committee. He was however ready to continue with the work of the Committee until its next session when a new Chairman could be elected. This would provide time for consultations among States on his replacement and on the anticipated replacement of other Bureau members. Mr. Dasgupta was unlikely to continue his work as Vice-Chairman in view of his appointment as Ambassador of his country to China. Mr. Draghici had taken up a staff appointment with the World Meteorological Organization (WMO) and hence relinquished his position as Vice-Chairman and Rapporteur. Further, he had just learned, with great pleasure, although with much regret for the work of the Committee, that Ms. Dowdeswell, Co-Chairperson of Working Group II, had been nominated by the Secretary-General as Executive Director of the United Nations Environment Programme (UNEP). On behalf of the Committee, he warmly congratulated Ms. Dowdeswell on her nomination which augured well for strengthened cooperation between the Committee and UNEP.

7. Professor G.O.P. Obasi, Secretary-General of WMO, commended the Committee on its accomplishment in completing the United Nations Framework Convention on Climate Change within the tight time schedule available prior to the United Nations Conference on Environment and Development. He regretted but fully appreciated Mr. Ripert's decision to relinquish the position of Chairman. Mr. Ripert had been an inspiration to all in drawing up the Convention and his skill and experience would be sadly missed. He wished him health, happiness and success in his future endeavours. Likewise, he congratulated Ms. Dowdeswell on her well merited nomination as Executive Director of UNEP and looked forward to continued and strengthened cooperation between WMO and UNEP.

8. He also agreed that the Convention was a significant first step in a long and difficult process and he was pleased to note that several States had already deposited their instruments of ratification. WMO endorsed a quick start to the Convention and pledged its continued support to the negotiation process and in particular to the operations of the INC secretariat. As regards the latter, he reiterated WMO's readiness to consider the hosting of the secretariat of the Convention. He also informed the Committee that, as part of the follow-up to the United Nations Conference on Environment and Development, WMO, in cooperation with other United Nations partners and non-governmental organizations, was planning an Intergovernmental Meeting on the World Climate Programme from 14 to 16 April 1993. He explained that WMO had a particular interest in seeing efforts to strengthen the infrastructure of climate observations, research, information processing and public awareness. These activities formed a large part of WMO's work, especially within the World Climate Programme and were basic to the deliberations of the Committee, to the work of IPCC and indeed to the needs of individual national decision-makers around the world. The April meeting under the banner of "The Climate Agenda" would specifically address the commitments and stated intentions which call for more intensive cooperation and efforts to reduce the uncertainties about the global climate system and its impact on economies and social well-being. It would also provide an opportunity for States to re-commit themselves to long-standing activities and bring additional resources to bear in a number of new thrusts. He assured the Committee of WMO's commitment to the successful implementation of the Convention as it was also to the preparation of the forthcoming convention on desertification.

B. Adoption of the agenda

9. At its 1st plenary meeting, on 7 December 1992, the Committee adopted the following agenda:

1. Organizational matters:

   (a) Adoption of the agenda;
   (b) Organization of work.

2. Preparation for the first session of the Conference of the Parties as specified in the Convention: elaboration of a work plan for the Committee.

3. Review of extrabudgetary funds.

4. Adoption of the report.

C. Organization of work

10. At its 1st plenary meeting, on 7 December 1992, the Committee approved the organization of work as contained in document A/AC.237/21/Add.1.

D. Attendance

11. The sixth session was attended by representatives of the following States:

Afghanistan
Algeria
Antigua and Barbuda
Argentina
Australia
Austria
Belgium
Belize
Benin
Bhutan
Bolivia
Brazil
Bulgaria
Burkina Faso
Burundi
Cameroon
Canada
Chad
Chile
China
Colombia
Comoros
Congo
Cook Islands
Costa Rica
Côte d'Ivoire
Cuba
Cyprus
Democratic People's Rep. of Korea
Denmark
Djibouti
Dominican Rep.
Ecuador
Egypt
Equatorial Guinea
Ethiopia
Fiji
Finland
France
Gabon
Gambia
Germany
Greece
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Honduras
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Kiribati
Kuwait
Lao People's Democratic Rep.
Lebanon
Lesotho
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Maldives
Malta
Marshall Islands
Mauritania
Mexico
Mongolia
Morocco
Myanmar
Namibia
Nauru
Nepal
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
Republic of Korea
Russian Fed.
Rwanda
Samoa
Saudi Arabia
Senegal
Sierra Leone
Singapore
Solomon Islands
Spain
Sri Lanka
Sudan
Suriname
Swaziland
Sweden
Switzerland
Syrian Arab Republic
Thailand
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Tuvalu
Uganda
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Zaire
Zambia
Zimbabwe

12. The following United Nations offices and programmes were represented at the sixth session: Department of Economic and Social Development of the Secretariat; United Nations Conference on Trade and Development; United Nations Development Programme; United Nations Environment Programme; United Nations Institute for Training and Research; United Nations Centre for Human Settlements.

13. The following specialized agencies and other organizations of the United Nations system were represented at the sixth session: Intergovernmental Oceanographic Commission/UNESCO; World Bank; International Monetary Fund; World Meteorological Organization; United Nations Industrial Development Organization; International Atomic Energy Agency; General Agreement on Tariffs and Trade; WMO/UNEP Intergovernmental Panel on Climate Change.

14. The following intergovernmental organizations were represented at the sixth session: Agency for Cultural and Technical Cooperation; Asian-African Legal Consultative Committee; Caribbean Meteorological Organization; European Economic Community; International Energy Agency/OECD; League of Arab States; Organization for Economic Cooperation and Development; Regional Organization for the Protection of the Marine Environment; South Pacific Regional Environment Programme.

15. The following non-governmental organizations in consultative status with the Economic and Social Council were represented:

Category I: International Chamber of Commerce; World Federation of United Nations Associations.

Category II: Greenpeace International; International Petroleum Industry Environmental Conservation Association; World Coal Institute; World Council of Churches.

Roster: Natural Resources Defense Council.

16. The following other non-governmental organizations were also represented: International Academy of the Environment: Alliance for Responsible CFC Policy; Ancient Forest International; Centre for our Common Future; Consortium for International Earth Science Information Network; Climate Action Network; Climate Council; Climate Institute; Development Alternatives; Earth Council; Edison Electric Institute; Environmental Defense Fund; Fundacion Pro-Sierre Nevada de Santa Marta; GAPVOD; Global Climate Coalition; Global Commons Institute; Global Coral Reef Alliance; IREC; National Coal Association; Rainforest Regeneration Institute; Stockholm Environment Institute; Tata Energy Research Institute; Union of Concerned Scientists; VERTIC; World Wide Fund for Nature.

17. The following other organization was represented by an observer: Pan-Africanist Congress of Azania.

D. Documentation

18. The documents before the Committee at its sixth session are listed in Annex II to the present report.

III. PREPARATION FOR THE FIRST SESSION OF THE CONFERENCE OF THE PARTIES AS SPECIFIED IN THE CONVENTION: ELABORATION OF A WORK PLAN FOR THE COMMITTEE

19. At its 1st plenary meeting, on 7 December 1992, the Executive Secretary informed the Committee that 158 States and one regional economic integration organization had signed the Convention. So far, seven States had deposited their instruments of ratification of the Convention. (see document A/AC.237/INF.10). The instruments of ratification by three other States were expected shortly. 1/

20. He referred to the report of the Secretary-General to the General Assembly (A/47/466). He also drew attention to the draft resolution currently before the Assembly (A/C.2/47/L.58). The mandate of INC in the draft resolution was effectively in three parts: to prepare for the first session of the Conference of the Parties; to contribute to the effective functioning of the interim arrangements; and to promote a coherent and coordinated programme of action in support of the entry into force and implementation of the Convention, paying particular attention, in that context, to capacity building in developing and other countries.

21. He also drew attention to his note on the activities of United Nations bodies relevant to the entry into force and implementation of the Convention (A/AC.237/22) and provided some supplementary information and comments.

22. The Executive Secretary informed the Committee that a communication had been received from the delegation of the United States of America in accordance with paragraph 6 of its resolution INC/1992/1. (Two other delegations - Cuba and the Netherlands - submitted such communications during the session).

23. He then drew attention to Annex I of the provisional agenda (A/AC.237/21 and Corr.1), section 1 of which provided a list of the tasks specified in the Convention to be carried out by the Conference of the Parties at its first session. There were other tasks listed in section 2 of Annex I and the accompanying notes.

24. The Executive Secretary expressed his regret that the Chairman was relinquishing his position. He recalled the sentiments he had expressed at the last session of the Committee and reiterated the benefits he, the secretariat and the Committee had gained from the Chairman's vast experience and ability.

25. During the 1st and 2nd plenary meetings, on 7 and 8 December 1992, statements were made by 32 delegations, including one on behalf of the European Economic Community and its member States. A number informed the Committee that the process of ratification of the Convention was proceeding in their countries. Several also mentioned that the preparation of national plans on climate change were under way. Three delegations introduced the documentation that they had submitted under Committee resolution INC/1992/1 para.6 (see para. 22 above). Many delegations made suggestions as to how the Committee might carry out its work during the session and they all expressed regret at the decision of the Chairman to relinquish his position and paid tribute to the immense contribution he had made in making the Convention a reality. Likewise warm congratulations were offered to Ms. Dowdeswell on her nomination as Executive Director of UNEP. Ms. Dowdeswell made a statement at the 6th plenary meeting on 10 December 1992, expressing thanks and looking forward to strong co-operation between UNEP and the Convention process.

1/ By the end of the session, one further instrument of ratification was deposited.

26. The representative of Turkey informed the Committee that his country would participate in the first session of the Conference of the Parties and, in accordance with Article 16 of the Convention, would submit a proposal concerning the deletion of the name of Turkey from Annexes I and II of the Convention.

27. At the 1st plenary meeting, on 7 December 1992, the representative of UNEP added to the information on its activities contained in document A/AC.237/22. In particular she mentioned the role of UNEP in the World Climate Impact and Response Programme of the World Climate Programme, activities within the Global Environment Monitoring System (GEMS) and the activities of the UNEP/WMO Information Unit on Climate Change (IUCC).

28. At the same meeting, the Chairman of the Organizing Committee for the Intergovernmental Meeting on the World Climate Programme (WCP), being organized by WMO on behalf of the co-sponsors of the WCP, provided additional information on the preparations for the session, emphasizing the focus on support of the WCP for the implementation of the Convention and the follow-up to Agenda 21 of the United Nations Conference on Environment and Development.

29. At the 2nd plenary meeting, on 8 December 1992, the representative of the Commission of the European Communities reported on the programme of action on climate change under preparation by the Commission.

30. At the 3rd plenary meeting, on 9 December 1992, the Chairman of the Participants' Assembly of the Global Environment Facility (GEF) made a statement reporting on the outcome of the recent meeting of the Assembly held in Abidjan from 3 to 5 December 1992, and on the programme of work for restructuring GEF. He looked forward to strengthening collaboration and interaction between GEF and the INC process.

31. At the 4th plenary meeting, on 9 December 1992, the Chairman of the Intergovernmental Panel on Climate Change (IPCC), made a statement reporting on the conclusions of the eighth session of IPCC held in Harare from 10 to 13 November 1992. The Panel had agreed on a new structure and on its work programme during the interim period leading up to the entry into force of the Convention and to the first session of the Conference of the Parties.

32. The representative of the United Kingdom, speaking on behalf of the European Economic Community and its member States, felt inter alia that the IPCC could assist the Committee in providing initially the best available advice on methodologies for inventories of greenhouse gas sources and sinks (by 1 January 1994), on the relative radiative forcing of different greenhouse gases (by 1 July 1994), on significant scientific developments since the 1992 update (by the time of the first meeting of the Conference of the Parties) and in providing a full second assessment in time for the second Conference of the Parties.

33. The representative of Saudi Arabia, commenting on the statement of the representative of the United Kingdom, requested technical and economic advice from IPCC in respect of Article 4.10 regarding consideration to be given to the Parties with economies vulnerable to measures to respond to climate change. The representative from India made a similar request concerning Article 4.8.

34. At the 4th plenary meeting, on 9 December 1992, the representative of the Intergovernmental Oceanographic Commission (IOC), made a statement supplementing the information relating to IOC given in document A/AC.237/22.

35. Also at the 4th plenary meeting, the representative of the Climate Action Network, speaking on behalf of certain non-governmental organizations (NGOs), made a statement.

IV. REVIEW OF EXTRABUDGETARY FUNDS

36. At the 4th plenary meeting, on 9 December 1992, the Executive Secretary introduced his note updating information on the two extrabudgetary funds established under General Assembly resolution 45/212 (A/AC.237/21 and Add.1 and Corr.1). He thanked contributors to the funds, as well as the secretariats of UNCTAD and UNDP, for their administrative support.

37. With respect to the special voluntary fund, he explained the action by the secretariat, after review of past practice, to widen access to the fund by developing countries. He also explained the availability of additional finance for the participation of certain countries from Central and Eastern Europe. He estimated that 87 countries had benefitted from support for their participation in the sixth session of the Committee. He drew attention to the need for new contributions to the fund to finance participation in sessions of the Committee in 1993 and 1994.

38. In connection with his report on the trust fund for the negotiating process, that was used to defray secretariat expenses, the Executive Secretary also provided information on support for the staffing of the secretariat from WMO, UNEP and bilateral sources. In this connection, he pointed out that budgetary proposals before the General Assembly in connection with draft resolution A/C.2/47/L.58 did not provide for more than the maintenance of resource levels that had been approved a year earlier. Any additional resources through the United Nations regular budget would be available through revised estimates to be presented to a resumed session of the General Assembly early in 1993, in the context of the Secretary-General's plan for restructuring the Secretariat.

39. The Executive Secretary also briefed the Committee on the type of activities that might be financed out of extrabudgetary resources, including communication, data management and training activities. He pointed out that, while extrabudgetary funding would probably be forthcoming, it was necessary to have a staff capacity to generate such funding and prepare the required projects.

40. At the same meeting, a number of delegations announced new contributions to one or other of the extrabudgetary funds or to the staffing of the secretariat. The Executive Secretary replied to questions raised by delegations.

41. In conclusion, the Executive Secretary reiterated his suggestion that pledges to the two trust funds be made for a year at a time so as to facilitate planning. The Chairman expressed the hope that sufficient extrabudgetary funding would be forthcoming to maintain effective participation in the Committee and to provide the interim secretariat with the capacity that it would need to support a prompt start to the implementation of the Convention.

V. CONCLUSIONS

42. In the light of the discussions in plenary and during informal meetings, and taking into account a background note prepared by the secretariat and annexed to this report (Annex I), the Committee at its 6th plenary meeting, on 10 December 1992, concluded as follows:

43. The Committee would focus its preparatory work primarily on those tasks specified in the Convention for action by the first session of the Conference of the Parties, as listed in section 1 of Annex I to document A/AC.237/21 and Corr. 1.

44. For the purposes of organization of work, these tasks would be clustered under three headings, namely:

A. Matters relating to commitments:

1. Methodologies for calculations/inventories of emissions and removals of greenhouse gases;

2. Criteria for joint implementation;

3. First review of the information communicated by each Party included in Annex I of the Convention;

4. Review of adequacy of commitments in Article 4, paras.2(a) and 2(b).

B. Matters relating to arrangements for the financial mechanism and for technical and financial support to the developing country Parties:

1. Implementation of Article 11 (Financial mechanism), paras.1-4;

2. Provision to developing country Parties of technical and financial support;

3. Consideration of the maintenance of the interim arrangements referred to in Article 21, para.3.

C. Procedural, institutional and legal matters:

1. Rules of procedure and financial rules of the Conference of the Parties and of the subsidiary bodies established by the Convention;

2. Designation of a permanent secretariat and arrangements for its functioning;

3. Consideration of the establishment of a multilateral consultative process for the resolution of questions regarding implementation.

45. The Committee decided to assign these tasks to two working groups. Working Group I would deal with cluster A above and Working Group II would deal with clusters B and C. Bearing in mind that the Convention might enter into force earlier than anticipated, the Committee should have an accelerated schedule and set priorities for each session.

46. There are a number of related tasks that may be taken up, as appropriate, in conjunction with tasks specified for action by the Conference of the Parties at its first session.

47. In accordance with paragraph 6 of the draft resolution A/C.2/47/L.58 before the General Assembly, the Committee confirmed the need for close working relationships with the Intergovernmental Panel on Climate Change and the Global Environment Facility.

48. In keeping with paragraphs 8 and 9 of the same draft resolution, the Committee would take full account of work relating to climate change being carried out within the United Nations system with a view to promoting a coherent and co-ordinated programme of activities aimed at supporting the entry into force and effective implementation of the Convention. It requested the secretariat to provide information on these activities regularly.

49. Referring to paragraph 11 of the same draft resolution, the Committee expressed the strong hope that arrangements could be made within the United Nations regular budget so that a nucleus of the skills required in the interim phase could be available to the interim secretariat of the Convention, which would mobilize additional expertise through collaborative networks and

consultancy arrangements. Close co-operation with the secretariat for the Commission on Sustainable Development and related secretariat arrangements in Geneva was also encouraged.

50. The Committee requested the interim secretariat to provide adequate support to its work, including the preparation of working papers as may be required. It invited the Executive Secretary to seek extrabudgetary contributions to the activities of the interim secretariat, including activities envisaged in paras. 8 and 9 of the draft resolution of the General Assembly, inter alia from the GEF and from member States.

51. In this context the Committee requested the Executive Secretary, in consultation with other concerned entities, to explore the best way of organizing a "clearing house" for the exchange of information and experience on relevant technical and financial co-operation activities, bilateral and multilateral, including greenhouse gas inventories and country studies, and to report to the Committee.

52. The Committee further requested the Executive Secretary to pursue the information and training programme outlined in document A/AC.237/22, paras. 32 to 34.

53. The Committee decided to hold two sessions during 1993. In view of the restricted possibilities for convening an early session, the Committee decided that, subject to approval by the General Assembly on the recommendation of the Committee on Conferences, the seventh session of the Committee should be held in New York from 15 to 19 March 1993, extending to 20 March 1993 if necessary. During that session, only the second of the two Working Groups would be convened, primarily to discuss the financial mechanism. The eighth session was scheduled in Geneva from 16 to 27 August 1993; both Working Groups would be convened during that session. The secretariat was requested to make adequate provision in the calendar for sessions of the Committee in 1994 and to make proposals to the Committee at its seventh session.

54. Noting that the Chairman would relinquish his position and that other withdrawals from the Bureau were taking place, the Committee stressed the need for appropriate consultations to be conducted in a timely manner, with a view to facilitating the election, at the start of the seventh session, of the Chairman and the new Bureau members as well as officers of the Working Groups, as needed.

VI. ADOPTION OF THE REPORT

55. At its 6th plenary meeting, on 10 December 1992, the Committee considered the draft report on its sixth session (A/AC.237/L.16). It requested the Executive Secretary to include the conclusions it had reached during the 5th and 6th plenary meetings, as well as the related Annnex, and to complete the report under the guidance of the Chairman.

Annex I

TASKS TO BE UNDERTAKEN BY THE CONFERENCE OF THE PARTIES AT ITS FIRST SESSION

Background note by the Executive Secretary

1. At the request of the Chairman, the secretariat has prepared an illustrative listing of tasks that could be undertaken by the first session of the Conference of the Parties (COP) and on which preparatory work by the Intergovernmental Negotiating Committee could focus.

2. This listing is based on the tasks specified for action by the COP at its first session, contained in A/AC.237/21, Annex I, section 1. These tasks can be clustered under three headings, as indicated in the attachment to this Annex:

A. Matters relating to commitments;

B. Matters relating to arrangements for the financial mechanism and for technical and financial support to developing country Parties;

C. Procedural, institutional and legal matters.

3. For each of the tasks listed in the attachment, cross-references have been made to other relevant tasks, not specified for the first session of the COP, most of which are listed in Section 2 of Annex I to A/AC.237/21 and the accompanying notes. These "unspecified" tasks will be taken up, as appropriate, in conjunction with tasks specified for action by the COP at its first session.

4. This note does not address the organization of work on these clusters, nor does it advance suggestions regarding priorities or the calendar of work.

A. MATTERS RELATING TO COMMITMENTS

1. Methodologies for calculations/inventories of emissions and removals of greenhouse gases

(See Art. 4, para. 2 (c), referring to para. 2(b), that specify action by the COP I; see also Art. 4, para. 1 (a), Art. 7, para. 2(d), and Art. 12, para. 1 (a). See also para. 6 of the draft resolution before the General Assembly A/C.2/47/L.58).

Notes: (a) Work on methodologies is under way in IPCC, as are complementary studies by UNEP. Information on this work will be communicated to INC by the secretariat. The Chairman of IPCC may also convey information in statements to INC;

(b) Issues arising would include:

- Requests for timely inputs from IPCC on the basis of the best available scientific knowledge and practicability;
- Role of Subsidiary Body for Scientific and Technological Advice.

2. Criteria for joint implementation

(see Art. 4, para. 2(d), referring to para. 2(a))

Note: Possible relevance of studies/projects under GEF, IPCC, UNEP and OECD auspices.

3. First review of the information communicated by each Party included in Annex I of the Convention.

(See Art. 4, paras. 2(b) and 2(d) and para. 6, Art. 9, Art. 10 and Art. 12, paras. 1-3, 5-6 and 10; see also Art. 7, paras. 2(d), 2(e) and 2(f) and Art. 12, paras. 8 and 9 and para. 4 of the draft resolution before the General Assembly (A/C.2/47/L.58))

Note: Issues arising in preparatory work on these modalities would include:

- Formats and contents of communications;
- Methodologies for evaluating the effectiveness of measures;
- Compilation and synthesis of information in communications for purposes of aggregation, assessment of overall effects and report on implementation;
- Role of Subsidiary Body for Implementation.

4. Review of adequacy of commitments in Article 4, paras. 2(a) and 2(b)

(See Art. 4, para. 2(d); see also references under item 3 above as appropriate and para. 6 of A/C.2/47/L.58)

Notes: (a) The Second Assessment by IPCC is not expected to be available before August/September 1995. However, the IPCC will prepare a "special report" in this regard for the INC and COP by mid 1994. In the interim, progress on this work by IPCC will be reported to INC by the secretariat. The Chairman of IPCC may also convey information in statements to INC.

(b) Issues arising in preparatory work on these modalities would include:

- Nature and sources of information to be taken into account;
- Requests for such information in time for the COP process;
- Role of Subsidiary Body for Scientific and Technological Advice (See (a) above regarding IPCC).

B. MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO DEVELOPING COUNTRY PARTIES

1. Implementation of Article 11 (Financial mechanism), paras. 1-4

(See also Article 4, paras. 3, 7, 8 and 10; Article 7, para. 2(h), Article 12 para. 1 and Article 21, para. 3. See also para. 6 of A/C.2/47/L.58)

Notes: (a) The GEF Participants' Assembly (PA) plans to complete its GEF restructuring process by December 1993. Information on GEF restructuring and on GEF activities related to climate change, including the amount of funding available for them, will be communicated to INC by the secretariat. The Chairman of the GEF (PA) may also convey information in statements to INC.

(b) Issues arising with regard to these arrangements would include:

(i) Content of guidance from the COP to the financial mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology; decisions on policies, programme priorities and eligibility criteria (Art.11.1);

(ii) Arrangements to be agreed between COP and operating entity (ies) (Art. 11.3), including modalities with respect to:

- ensuring the conformity of projects with COP guidelines;
- reconsideration of funding decisions;
- reporting to COP;
- determination and review of amount of funding necessary and available;

(iii) Assurance of characteristics of financial mechanism (equity/balance in representation of all Parties, transparent governance, accountability) (Art.11.1 and 11.2);

(iv) Provision of timely inputs by INC to GEF (NB: The INC calendar should be coordinated with that of GEF so as to ensure a productive interaction).

2. Provision to developing country Parties of technical and financial support

(See Art. 12, para. 7; see also Art. 8, para. 2(c) and paras. 8 and 9 of A/C.2/47/L.58)

Note: These arrangements could be supported by a clearing house function to exchange information and experience on relevant technical and financial cooperation activities, bilateral and multilateral. This information system would be organized in collaboration with concerned entities. It would be intended to facilitate assistance to Parties and the coordination of such assistance. It would include GHG inventories and country studies, as well as other activities envisaged in

paras. 8 and 9 of the draft General Assembly resolution (e.g. information and training activities in developing and other countries).

3. **Consideration of the maintenance of the interim arrangements referred to in Article 21, para. 3**

(See Art. 11, para. 4)
(See notes under item B.1 above, as appropriate)

C. PROCEDURAL, INSTITUTIONAL AND LEGAL MATTERS

1. **Rules of procedure and financial rules of the Conference of the Parties and of the subsidiary bodies established by the Convention**

(See Art. 7, para. 3; see also Art. 7, para. 2(k))

Note: Preliminary work is under way in the secretariat.

2. **Designation of a permanent secretariat and arrangements for its functioning**

(See Art. 8, para. 3; see also Art. 7, para. 2(k) and Art. 21, para. 1)

3. **Consideration of the establishment of a multilateral consultative process for the resolution of questions regarding implementation**

(See Art. 13; see also Article 14, para. 2(b) and para. 7)

Annex II

List of documents before the Committee at its sixth session

A/AC.237/18(Part I)	Report of the Intergovernmental Negotiating Committee for a Framework Convention On Climate Change on the work of the first part of its fifth session, held at New York from 18 to 28 February 1992
A/AC.237/18 (Part II) and Add.1 and Add.1/Corr.1	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of the second part of its fifth session, held at New York from 30 April to 9 May 1992
A/AC.237/21 and Add.1 and Corr.1	Provisional agenda and annotations, including suggestions for the organization of work
A/AC.237/22	Activities of United Nations bodies relevant to the entry into force and implementation of the Convention: note by the Executive Secretary
A/AC.237/23 and Add.1 and Corr.1	Review of extrabudgetary funds: note by the Executive Secretary
A/AC.237/INF.10	Dates of signature and ratification of the United Nations Framework Convention on Climate Change
A/47/466	Report of the Secretary-General to the General Assembly on progress achieved in the implementation of resolution 46/169 on protection of global climate for present and future generations of mankind
A/C.2/47/L.58	Protection of global climate for present and future generation of mankind: draft resolution submitted to the Second Committee
A/AC.237/L.16	Draft report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of its sixth session, held at Geneva from 7 to 10 December 1992

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INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
Sixth session
Geneva, 7-10 December 1992

REPORT OF THE INTERGOVERNMENTAL NEGOTIATING COMMITTEE FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE ON THE WORK OF ITS SIXTH SESSION HELD AT GENEVA FROM 7 TO 10 DECEMBER 1992

Corrigendum

Page 1

Insert new paragraph 55 and renumber following paragraph

55. In this connection, the representative of Brazil, on behalf of the Latin American and Caribbean Group, proposed Mr. Raul Estrada-Oyuela (Argentina) for election as Chairman of the Committee. The representative of the Philippines, on behalf of the Asian Group, proposed Mr. Nobutoshi Akao (Japan) for election to the same post.

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**INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE**
Seventh session
New York, 15-19(20) March 1993
Item 1 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS, INCLUDING SUGGESTIONS FOR THE ORGANIZATION OF WORK

Note by the Executive Secretary

I. PROVISIONAL AGENDA

1. The provisional agenda for the seventh session of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change, proposed after consultation with the Chairman and the Bureau, is as follows:

1. Organizational matters:
   (a) Election of officers;
   (b) Adoption of the agenda;
   (c) Organization of work.

2. Matters relating to arrangements for the financial mechanism and for technical and financial support to developing country Parties (Working Group II):

   (a) Implementation of Article 11 (Financial mechanism), paras. 1-4;
   (b) Provision to developing country Parties of technical and financial support.

3. Procedural, institutional and legal matters (Working Group II):
   (a) Rules of procedure of the Conference of the Parties.

4. Status of signature and ratification of the Convention.

5. Future sessions of the Committee: calendar and priorities.

6. Review of the activities of the interim secretariat, including review of extrabudgetary funds.

7. Adoption of the report on the session.

GE.93-60230

93-12167

II. ANNOTATIONS TO THE PROVISIONAL AGENDA

2. By its resolution 47/195 of 22 December 1992, paragraphs 6 and 7, the General Assembly decided "that the Intergovernmental Negotiating Committee shall continue to function in order to prepare for the first session of the Conference of the Parties to the Convention, as specified in the Convention, and, in that context, to contribute to the effective operation of the interim arrangements set out in article 21 of the Convention"; invited the Committee "to implement expeditiously the plan of preparatory work drawn up at its sixth session"; and requested the Secretary-General "to make arrangements within the overall calendar of conferences for the Committee to hold sessions, in accordance with the needs of that plan".

3. Accordingly, arrangements have been made, with the concurrence of the Committee on Conferences, for the seventh session to be held at United Nations Headquarters, New York, from 15 to 19 March 1993, to be continued on 20 March if necessary. The session will be opened by the Chairman of the Committee on 15 March 1993, at 10.30 a.m., in a conference room to be announced.

1. Organizational matters

(a) Election of officers

4. At the opening of the sixth session of the Committee, the Chairman, Mr. Jean Ripert, announced that, for personal reasons, he intended to relinquish his position at the start of the seventh session. He also indicated the need to replace other officers of the Committee or its Working Groups who were vacating their posts for various professional reasons, namely, Mr. Chandrashekhar Dasgupta (Vice-Chairman), Mr. Ion Draghici (Vice-Chairman and Rapporteur) and Ms. Elizabeth Dowdeswell (Co-Chairman of Working Group II). The Committee stressed the need for timely consultations to facilitate the election of a new Chairman and of other officers as needed, at the start of the seventh session. It received two nominations for the post of Chairman. (See A/AC.237/24 and Corr.1, paras. 6, 54 and 55).

5. It is hoped that the Committee will elect a new Chairman and other officers as needed at the first meeting of the session, so that the work of the session may proceed without delay.

(b) Adoption of the agenda

6. The provisional agenda for the seventh session of the Committee is presented for adoption. A list of documents related to the agenda, as well as other documents available at the session, is contained in Annex I.

(c) Organization of work

(i) Participation

7. In paragraph 2 of its resolution 45/212 of 21 December 1990, the General Assembly decided that "the Intergovernmental Negotiating Committee should be open to all States Members of the United Nations or members of the specialized agencies, with the participation of observers in accordance with the established practice of the General Assembly." In paragraph 19 of the same resolution, the General Assembly invited "relevant non-governmental organizations to make contributions to the negotiating process, as appropriate".

8. In pursuance of the above, notification of the date and venue of the session has been communicated to the Permanent Missions of all participating States in Geneva and New York, as well as to observers.

(ii) Schedule of meetings

9. The scheduling of meetings for the session will be based on the availability of facilities. To meet the requests of certain delegations, it was agreed at the sixth session that afternoon meetings at the seventh session would end at 5.30 p.m. Consequently, arrangements have been requested for servicing two concurrent meetings with interpretation from 10.00 a.m. - 1.00 p.m. and 2.30 p.m. - 5.30 p.m. There will also be some facilities for informal meetings without interpretation. Delegations are urged to use these services fully by starting all meetings promptly at the scheduled time. A tentative schedule of meetings, proposed in consultation with the Chairman, is attached at Annex II. It assumes that the six days available for the session will be used.

(iii) Allocation of tasks

10. The Committee decided, at its sixth session, that it would focus its preparatory work primarily on those tasks specified in the Convention for action by the first session of the Conference of the Parties. These tasks would be clustered under three headings, namely: A. Matters relating to commitments; B. Matters relating to arrangements for the financial mechanism and for technical and financial support to developing country Parties; and C. Procedural, institutional and legal matters (A/AC.237/24, paras. 42-44). A number of related tasks for action by the Conference of the Parties may be taken up, as appropriate, in conjunction with tasks listed in the three clusters (A/AC.237/24, para. 46).

11. The Committee decided to assign these tasks to two working groups: Working Group I would deal with cluster A above and Working Group II would deal with clusters B and C (A/AC.237/24, para. 45). It was agreed that only the second of the two Working Groups would be convened at the seventh session, primarily to discuss matters relating to the implementation of Article 11 (Financial mechanism). It was further agreed to schedule the eighth session from 16 to 27 August 1993 in Geneva and to convene both Working Groups at that session (A/AC.237/24, para. 53).

2. Matters relating to arrangements for the financial mechanism and for technical and financial support to developing country Parties (Working Group II):

(a) Implementation of Article 11 (Financial mechanism), paras. 1-4

12. Article 11 of the Convention defines the purposes, functions and characteristics of the financial mechanism of the Convention, including its relationship to the Conference of the Parties, and provides that the operation of the mechanism "shall be entrusted to one or more existing international entities" (Article 11, paras. 1-2). It also provides for the Conference of the Parties and the operating entity or entities to agree on arrangements to give effect to the financial mechanism, specifying some of the modalities to be agreed (Article 11, para. 3). These provisions are to be implemented by the Conference of the Parties at its first session, which shall review the related interim arrangements and decide whether they shall be maintained (Article 11, para. 4).

13. These interim arrangements are set out in Article 21, paragraph 3, that entrusts the Global Environment Facility (GEF) of the United Nations Development Programme, the United Nations Environment Programme and the International Bank for Reconstruction and Development with the operation of the financial mechanism on an interim basis, provided that it is appropriately restructured and made universal. The operation of these interim arrangements will need to be considered under the present agenda item, so that the Committee may give timely indications of its views concerning relevant aspects of the ongoing restructuring of the GEF. It should be noted that the GEF plans to complete its restructuring by the end of its pilot phase, that is by the end of 1993, and that this target is related to the need to replenish the Facility with funds for its next phase. Contributions by the Committee to these deliberations in the GEF would be in accordance with General Assembly resolution 47/195, paragraph 6.

14. The secretariat will present a note on this sub-item highlighting matters for consideration by the Committee and providing information on the related work of the GEF (A/AC.237/26) and some selected GEF documentation (A/AC.237/26/Add.1, in English only). The Participants' Assembly of the GEF will meet on 4 and 5 March 1993, when it will give further consideration to governance issues related to the restructuring of the GEF. The secretariat will convey information on the outcome of that meeting to the Committee, up-dating the note if necessary and feasible in the time available. The Chairman of the Participants' Assembly of the GEF has been invited to make a statement at the start of the proceedings on this sub-item in Working Group II.

(b) Provision to developing country Parties of technical and financial support

15. Article 12, paragraph 7, of the Convention provides that "from its first session, the Conference of the Parties shall arrange for the provision to developing country Parties of technical and financial support, on request, in compiling and communicating information under this Article, as well as in identifying the technical and financial needs associated with proposed projects and response measures under Article 4. Such support may be provided by other Parties, by competent international organizations and by the secretariat, as appropriate".

16. Article 8, paragraph 2(c), provides for the Secretariat of the Convention "to facilitate assistance to the Parties, particularly developing country Parties, on request, in the compilation and communication of information required in accordance with the provisions of the Convention".

17. In the conclusions of its sixth session, the Committee "requested the Executive Secretary, in consultation with other concerned entities, to explore the best way of organizing a 'clearing house' for the exchange of information and experience on relevant technical and financial cooperation activities, bilateral and multilateral, including greenhouse gas inventories and country studies, and to report to the Committee" (A/AC.237/24, para. 51). This request was made in the context of paragraphs 8 and 9 of the draft resolution before the General Assembly, subsequently adopted as resolution 47/195; those paragraphs provide for the strengthening and coordination of activities to support the entry into force and implementation of the Convention. The Executive Secretary will report on progress in responding to this request; this information will be included in his report on secretariat activities (A/AC.237/28).

3. Procedural, institutional and legal matters (Working Group II):

(a) Rules of procedure of the Conference of the Parties

18. Article 7, paragraph 3, of the Convention provides that "the Conference of the Parties shall, at its first session, adopt its own rules of procedure as well as those of the subsidiary bodies established by the Convention...". According to Article 7, paragraph 2(k), these rules are to be adopted by consensus. The secretariat has prepared a document (A/AC.237/27) suggesting draft rules of procedure that could be of assistance to the Committee in dealing with this item. The suggested draft rules are modelled on the most recent set of rules of procedure for a conference of the parties to a convention, namely, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. Changes have been made in this model in order to reflect the provisions and needs of the Framework Convention on Climate Change. The suggested draft provides that the rules of procedure of the Conference of the Parties shall apply mutatis mutandis to its subsidiary bodies.

4. Status of signature and ratification of the Convention

19. The Executive Secretary will inform the Committee of the status to date of signature and ratification of the Convention (A/AC.237/INF.10/Rev.1).

5. Future sessions of the Committee: calendar and priorities

20. The scheduled dates for the eighth session of the Committee are 16 to 27 August 1993, in Geneva. At that session, both Working Groups will be convened.

21. At the sixth session, the Committee requested the secretariat to make adequate provision for sessions of the Committee in the calendar for 1994 and to make proposals in this regard to its seventh session (A/AC.237/24, para. 53). Accordingly, it is proposed that the ninth session of the Committee be scheduled from 31 January to 11 February 1994 (ten regular working days) and the tenth session from 29 August to 7 September 1994 (eight working days), both in Geneva, the location of the secretariat. It should be noted that 8 and 9 September 1994 are holidays for the United Nations in Geneva and that, consequently, meeting facilities are not available on those days. Alternative dates available for the tenth session in Geneva are 12 to 23 September 1994 (ten working days); however, the General Assembly is due to start its forty-eighth regular session on 20 September 1994.

22. In adopting its work plan, the Committee stated that it should have an accelerated schedule and set priorities for each session, bearing in mind that the Convention might enter into force earlier than anticipated (A/AC.237/24, para. 45). As far as schedule is concerned, provision for two sessions of the Committee in the calendar for 1994 is precautionary and without prejudice to the date of entry into force of the Convention. It is prudent to reserve meeting facilities well in advance; they can be released if not needed. Moreover, the possibility that preparatory work for the first session of the Conference of the Parties may need to continue after the entry into force of the Convention should be kept in mind; so should the possibility that "related tasks" referred to in adopting the work plan will need to be taken up before the first session of the Conference of the Parties.

23. The question of priorities for future sessions of the Committee may be addressed initially as a matter of scheduling, by indicating when each of the tasks specified in the work plan should first be placed on the Committee's agenda and when intermediate outputs are needed from the Committee before the first session of the Conference of the Parties. Annex III to this document suggests such a scheduling of tasks. It provides for preparatory work for the Conference of the Parties to extend over three further sessions of the Committee; this is subject to the provisos in the preceding paragraph. It also envisages that the Committee may wish to prepare the provisional agenda and the organization of work of the first session of the Conference of the Parties.

6. Review of the activities of the interim secretariat, including review of extrabudgetary funds

24. The Executive Secretary will report on the state of the provisions for the interim secretariat in the regular United Nations Programme Budget and on other administrative action in pursuit of General Assembly resolution 47/195. This information will take account of the integration of the interim secretariat in the newly-established Department of Policy Coordination and Sustainable Development of the United Nations Secretariat.

25. The Executive Secretary will also provide information on current activities of the interim secretariat. This report will include an update on the proposal by the secretariat and UNITAR for an information and training programme, to be organized jointly with UNDP, GEF and IPCC, to support the implementation of the Convention (A/AC.237/24, para. 52). It will also cover action taken to explore the "clearing house" idea described under item 2(b), paragraph 17 above and will describe collaboration between the secretariat and the UNEP/WMO Information Unit on Climate Change.

26. The Executive Secretary will report to the Committee on the state and needs of the two extrabudgetary funds established under General Assembly resolution 45/212, paragraphs 10 and 20, respectively, the special voluntary fund to support the participation of developing countries in sessions of the Committee and the trust fund for the negotiating process to provide for secretariat costs. By its resolution 47/195, paras. 15 and 16, the General Assembly requested the Secretary-General to maintain these two funds; they will be needed up to and including the first session of the Conference of the Parties.

27. The Executive Secretary will present a document shortly before the session containing the latest available information on the above-mentioned matters (A/AC.237/28). He will supplement this information orally at the session.

7. Adoption of the report on the session

28. A draft report on the work of the session will be prepared for consideration by the Committee, in accordance with established practice. Given the shortage of time during the session, the proceedings of the final days will be incorporated in the report after the session.

* * * *

ANNEX I

List of documents for the seventh session of the Committee

Documents for the session

A/AC.237/18 (Part II)/ Add.1 and Corr.1	United Nations Framework Convention on Climate Change
A/AC.237/24 (and Corr.1 in English only)	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of its sixth session, held at Geneva from 7 to 10 December 1992
A/AC.237/25	Provisional agenda and annotations, including suggestions for the organization of work
A/AC.237/26 (and Add.1 in English only)	Implementation of Article 11 (Financial Mechanism): Note by the secretariat
A/AC.237/27	Rules of procedure of the Conference of the Parties: Note by the secretariat
A/AC.237/28	Review of the activities of the interim secretariat, including review of extrabudgetary funds: Note by the Executive Secretary
A/AC.237/INF.10/Rev.1	Dates of signature and ratification of the United Nations Framework Convention on Climate Change

Other documents available at the session for reference purposes

A/AC.237/5	Rules of procedure of the Committee
A/AC.237/6 and Corr.1	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of its first session, held at Washington, D.C., from 4 to 14 February 1991
A/AC.237/9	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of its second session, held at Geneva from 19 to 28 June 1991
A/AC.237/12 and Corr. 1	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of its third session, held at Nairobi from 9 to 20 September 1991

A/AC.237/15 and Corr. 1	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of its fourth session, held at Geneva from 9 to 20 December 1991
A/AC.237/18 (Part I)	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of the first part of its fifth session, held at New York from 18 to 28 February 1992
A/AC.237/18 (Part II)	Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the work of the second part of its fifth session, held at New York from 30 April to 9 May 1992
A/AC.237/INF.12	Communications received in accordance with General Assembly resolution 47/195, paragraph 4: Note by the secretariat

General Assembly resolutions

45/212	Protection of global climate for present and future generations of mankind (21 December 1990)
46/169	Protection of global climate for present and future generations of mankind (19 December 1991)
47/195	Protection of global climate for present and future generations of mankind (22 December 1992)

* * *

ANNEX II

Tentative schedule of work

Monday, 15 March

10.30 A.M.	Plenary	Opening of the session	
		Item 1:	Organizational matters: (a) Election of officers (b) Adoption of the agenda (c) Organization of work
		Item 4:	Status of signature and ratification of the Convention
P.M.	Plenary	Continuation of items 1 and 4, if needed	
	WG II	Item 2(a):	Implementation of Article 11 (Financial mechanism)

Tuesday, 16 March

A.M. and P.M.	WG II	Item 2(a):	Implementation of Article 11 (Financial mechanism) (continued)

Wednesday, 17 March

A.M.	Plenary	Item 6:	Review of the activities of the interim secretariat, including review of extrabudgetary funds
	WG II	Item 2(a):	Implementation of Article 11 (Financial mechanism) (continued)
P.M.	WG II	Item 2(b):	Provision to developing country Parties of technical and financial support
		Item 3(a):	Rules of procedure of the Conference of the Parties

.../...

Thursday, 18 March

A.M.	Plenary	Item 5:	Future sessions of the Committee: calendar and priorities
	WG II	Item 2(a):	Implementation of Article 11 (Financial mechanism) (continued)
P.M.	WG II	Item 2(a):	(continued)

Friday, 19 March

A.M. and P.M.	WG II	Conclusions and guidance for further work on items 2(a), 2(b) and 3(a)

Saturday, 20 March

A.M.	Plenary	Item 5:	Future sessions of the Committee: calendar and priorities (conclusions)
P.M.	Plenary	Item 7:	Adoption of the report on the session

Note: The above schedule is drawn up on the hypothesis that the six days available for the session will be used. Should only five days be used (15-19 March), the programme indicated above for Thursday, 18 March could be eliminated and those for 19 and 20 March brought forward by one day.

ANNEX III

Preparatory work for first session of Conference of the Parties
Suggestions concerning scheduling of tasks for sessions of INC/FCCC

		Session / Scheduled Dates				
Task	Short Title	INC VII 15-19(20)3.93	INC VIII 16-27.8.93	INC IX 31.1-11.2.94*	INC X 29.8-7.9.94*	Notes
A.1	Methodologies		o	♦	.....	First conclusions early 1994 to allow for preparation of first communications by developed country Parties after entry into force
A.2	Joint Implementation		o	♦	.....	Ditto
A.3	First review of information		o		.....	
A.4	Review of adequacy				o.....	
B.1	Financial mechanism	o	♦	.....	.....	First conclusions before end 1993 to contribute to restructuring and replenishment of GEF
B.2	Technical/ financial support	o			.....	(Continuing information item for INC)
B.3	Maintenance of interim arrangements				o.....	
C.1	Rules of procedure	o	♦			Draft rules of procedure could be completed well in advance of COPI
C.1	Financial rules			o	.....	Financial rules need to be considered with secretariat budget
C.2	Permanent secretariat			o	.....	Secretariat arrangements may best be made in light of United Nations Programme Budget 1994-95
C.3	Multilateral consultative process			o	.....	(Consideration beyond COP I likely)
	Agenda and organization of work for COP I				o.....	

* Provisional dates

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INTERGOVERNMENTAL NEGOTIATING
COMMITTEE FOR A FRAMEWORK
CONVENTION ON CLIMATE CHANGE
Seventh session
New York, 15-19(20) March 1993
Item 2 (a) of the provisional agenda

MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO DEVELOPING COUNTRY PARTIES

A. IMPLEMENTATION OF ARTICLE 11 (FINANCIAL MECHANISM), PARAS. 1-4

Note by the secretariat

CONTENTS

		Paragraphs	Page
I.	BACKGROUND	1 - 22	3
	A. Convention provisions and Committee mandate	1 - 5	3
	B. The Global Environment Facility: summary information	6 - 13	4
	C. "Restructuring" of the GEF	14 - 22	5
II.	QUESTIONS CONCERNING THE FINANCIAL MECHANISM OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE	23 - 58	7
	A. What is the financial mechanism?	23 - 27	7
	B. What types of measures is the financial mechanism to fund?	28 - 33	8
	C. Could the GEF be the sole operating entity of the financial mechanism?	34 - 36	9

CONTENTS (continued)

		Paragraphs	Page
D.	How will the Convention affect the GEF?	37 - 58	10
(i)	How will the GEF function under the guidance of the COP?	41 - 46	10
(ii)	How will the accountability of the GEF to the COP operate?	47 - 50	12
(iii)	How will levels of GEF funding for the implementation of the Convention be determined?	51 - 54	12
(iv)	What GEF governance arrangements can best respond to the Convention requirements?	55 - 58	13

I. BACKGROUND

A. Convention provisions and Committee mandate

1. The United Nations Framework Convention on Climate Change contains commitments on financing and transfer of technology in Article 4 and defines in Article 11 a mechanism to provide grant and concessional resources for these purposes. Article 11 specifies the functions and characteristics of the financial mechanism of the Convention, including its relationship to the Conference of the Parties (COP) (Article 11.1-2). On this last point, the Article states that the financial mechanism "shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention". Article 11 further stipulates that the operation of the mechanism "shall be entrusted to one or more existing international entities". It provides that the COP and the operating entity or entities shall agree on arrangements to give effect to the financial mechanism, specifying some of the modalities to be agreed. These include modalities relating to the determination of the amount of funding for the implementation of the Convention and to the reconsideration of particular funding decisions (Article 11.3).

2. The provisions relating to the financial mechanism are to be implemented by the COP at its first session, which is to review the related interim arrangements and decide whether they shall be maintained (Article 11.4).

3. These interim arrangements are set out in Article 21.3, that entrusts the Global Environment Facility (GEF) of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the International Bank for Reconstruction and Development (IBRD) with the operation of the financial mechanism on an interim basis. In this connection, the GEF is to be appropriately restructured and made universal.

4. In renewing the mandate of the Intergovernmental Negotiating Committee, the General Assembly decided that the Committee should prepare for the first session of the COP and, in that context, "contribute to the effective operation of the interim arrangements set out in Article 21 of the Convention" (General Assembly resolution 47/195, para. 6). Consequently, the Committee is to lay the ground for the decisions of the COP relating to the financial mechanism of the Convention and is expected to work towards the objective of a well-functioning and well-funded mechanism. 1/ It is also expected to interact with the GEF so as to contribute to the fulfilment by the Facility of the relevant provisions of the Convention and to the effective operation of the Facility in relation to the Convention.

5. Part II of this note sets out a number of assumptions, as hypotheses for the purpose of discussion, and raises related questions that could help to focus the deliberations of the Committee. It may be envisaged that the Committee will need to extend its consideration of some of these questions to its eighth session.

B. The Global Environment Facility: summary information

6. For the benefit of participants in the Committee who may not yet be familiar with the functioning of the GEF, this note presents some summary background information on the Facility that is relevant to the tasks of the Committee. The addendum to this note reproduces some extracts from documentation relating to the GEF, in English only.

7. The purpose of the GEF is to "provide additional grant and concessional funding of the agreed incremental costs for achieving agreed global environmental benefits". It finances activities in four focal areas: "global warming" (corresponding to "climate change" in the language of the Convention), biological diversity, ozone depletion and international waters. 2/ The first three of these four areas are covered by international conventions. Activities under the heading of global warming are generally aimed at reducing emissions of greenhouse gases (GHGs).

8. The GEF was established for a three-year pilot phase by resolution No. 91-5 of the Executive Directors of the IBRD (March 1991). Its establishment was subsequently endorsed by the Governing Councils of UNDP and UNEP (May 1991). Operating procedures were agreed by the executive heads of these three bodies, known as the Implementing Agencies (October 1991).

9. During its pilot phase, the GEF has been functioning under the collective policy guidance of its Participants, namely States that have contributed to the Facility or that have expressed the intention to do so. Currently, 43 States are considered to be Participants. 3/ The Participants normally meet twice a year. At each of their regular meetings, the GEF Participants review and broadly endorse successive "tranches" of a work programme prepared jointly by the Implementing Agencies and submitted to the meeting by its Chairman. In connection with this programme review, Participants may comment on specific projects in the work programme.

10. The GEF Participants are supported in their functions of policy guidance and programme review by a Scientific and Technical Advisory Panel (STAP), composed of 16 independent members. The STAP has drawn up criteria for eligibility and priorities for projects in the GEF work programme. These include criteria and priorities that are generally applicable and those that are specific to projects in one focal area (e.g. global warming projects). 4/ The STAP also reviews individual projects submitted by the Implementing Agencies and advises on their conformity with its criteria and priorities. The outcome of STAP project reviews is reported to the GEF Participants in the detailed work programme submission by the Chairman of the Participants' meetings. The STAP normally meets quarterly; it is supported in its review and evaluation functions by ad hoc working groups, including one on global warming projects.

11. Projects in the GEF work programme remain the responsibility of the respective Implementing Agencies. This responsibility is allocated according to an agreed division of labour by type of project. 5/ The three agencies, together with the GEF Administrator, make up the Implementation Committee, that approves the inclusion of projects in the GEF work programme. Each Implementing Agency follows its regular procedures for the formulation,

appraisal, approval, execution and evaluation of projects financed through the GEF.

12. The Chairman of the GEF Participants' meetings plays a key facilitating role in the GEF system, supported by the GEF Administrator and his staff. The Chairman is the interpreter of the Participants' consensus and their spokesman. He is also the link between the GEF Participants and the secretariats of the Implementing Agencies; his reports are the principal medium of the accountability of these agencies to the GEF Participants' meetings. Under current arrangements, the Chairman is a senior official of the World Bank.

13. The resources available to the three-year pilot phase of the GEF amount to some US$ 880 million in the core fund and $350 million in bilateral financing arrangements - for a total of US$ 1,230 million. An initial guideline from the GEF Participants concerning the allocation of core funds among the four focal areas indicated that the global warming portfolio should account for some 40 to 50 per cent of the total. The GEF work programme, as it stood in December 1992 on the submission of the fourth tranche of projects, contained 96 projects worth some US$ 700 million. The global warming portfolio accounted for 38 projects worth about US$ 280 million, i.e. approximately 40 per cent of the total on both counts. 6/

C. "Restructuring" of the GEF

14. The term "restructuring" is used in the GEF to describe a process of institutional review and reform that has been under way since early 1992. This term is also reflected in Article 21.3 of the Convention. The GEF restructuring process aims to facilitate the transition of the GEF beyond its pilot phase and to prepare for the linkage of the GEF to the conventions on climate change and on biological diversity. At a meeting in April 1992, the Participants agreed upon a document entitled "The GEF: Beyond the Pilot Phase". 7/ This included a set of eight principles to guide a modified GEF. The section of the document containing these principles is reproduced in the addendum to this document.

15. Policy guidance emanating from these principles recognizes the primacy of the Parties to a convention in determining policy, programme priorities, guidelines for project formulation and eligibility criteria related to that convention. 8/ The principles stress some other policy points that are also relevant to the Framework Convention on Climate Change, notably: grant and concessional funding, agreed incremental costs, agreed global environmental benefits, cost-effectiveness, consistency with national priorities, use of existing institutional capacities, universality, transparency and accountability.

16. Most of these policy guidelines have explicit counterparts in the Convention. With respect to incremental costs, the formula in the Convention (Article 4.3) is "agreed full incremental costs" (emphasis added). One GEF policy guideline that is not explicit in the Convention, in relation either to the financing commitments or to the financial mechanism, is that on achieving agreed global environmental benefits. This guideline is tempered by reference to the difficulty of distinguishing global from national benefits and to the

influence of national policies on the costs of achieving global benefits. The only comparable formula in the Convention, "global benefits", occurs in the third principle (Article 3.3) in the context of the cost-effectiveness of measures to deal with climate change; these are to "cover all relevant sources, sinks and reservoirs of GHGs and adaptation, and comprise all economic sectors".

17. The same GEF document discusses issues of governance of the GEF, including the functioning of linkages with conventions. It envisages that the Participants, through a Participants' Assembly (GEF/PA), would ensure that GEF programmes conform with the guidance provided by conferences of parties and would submit regular reports to them; and that the GEF secretariat would liaise with convention secretariats to ensure coordination. Emphasis is placed on coordinated representation in COPs and GEF/PA. The question is raised of possible linkages between the memberships of the STAP and of the scientific/technical advisory bodies of conventions.

18. In their subsequent work, the GEF Participants have continued consideration of governance issues. At their most recent regular meeting, on 3-5 December 1992 (Abidjan, Côte d'Ivoire), the focus was on the legal framework of the GEF and on arrangements for the GEF/PA: universal membership, organization of deliberations and decision-making. These points are covered by paragraphs 3-6 of the Chairman's Summary of that meeting, reproduced in the addendum to this note.

19. There appears to be consensus among the Participants that the legal framework for the GEF after its pilot phase would be enshrined in a document to be endorsed by the GEF Participants before its adoption by the governing bodies of the Implementing Agencies. There is also agreement on the objective of universal membership; to encourage this, it is envisaged to abolish the current minimum contribution to the GEF (US$ 4 million). This "membership fee" has been considered a deterrent to membership by developing countries. However, administrative expenses of the GEF would need to be recovered.

20. Two issues remain open: a constituency arrangement for organizing deliberations in the GEF/PA and a voting system for cases where consensus cannot be achieved. The latter would need to give due weight to the interests of both recipient and contributor countries. In the context of linkages to conventions, it has been proposed that participation in discussion and voting in the GEF/PA on matters related to a convention be limited to members of the GEF/PA that are parties to that convention or to constituencies that include such members.

21. The restructuring of the GEF is linked to the replenishment of the Facility for its next phase, 1994-1996. The availability of new funds for the GEF is likely to be conditioned on the expectation that they will be used to finance activities under the auspices of the conventions on climate change and biological diversity. This, in turn, will depend on the confirmation of the GEF in its functions by the respective Conferences of Parties, in consequence of its satisfactory restructuring.

22. Discussion of governance issues will continue at a special meeting of the GEF Participants on 4-5 March 1993 (Rome, Italy). Information on its outcome

will be conveyed to the Committee at its seventh session. The next regular meeting of Participants is scheduled to take place on 26-28 May 1993 (Beijing, China). Linkages between the GEF and the conventions are expected to be discussed at that meeting, as is a policy paper on incremental costs. 9/ Governance and replenishment issues will continue to be on the agenda. The GEF schedule provides for a further special Participants' meeting on governance issues on 23-24 September 1993 (Washington D.C., USA) and a regular meeting on 8-10 December 1993 (Geneva, Switzerland). It is planned that the discussions on the restructuring of the GEF should be concluded at the December 1993 meeting.

II. QUESTIONS CONCERNING THE FINANCIAL MECHANISM OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE

A. What is the financial mechanism?

23. Article 11 refers to both a financial mechanism (that is "defined", not established), and to one or more entities that will operate the mechanism. The implementation of Article 11 will require clarification of these provisions; the COP should know the identity of its interlocutor (the mechanism), as the recipient of its guidance and as the source of accountability to it.

24. As drafted, Article 11 could give rise to two hypotheses concerning the identity of the financial mechanism:

(a) That the financial mechanism is intended to be a distinct entity other than the operating entity/ies;

(b) That the term "financial mechanism" is intended to encompass the set of arrangements to be made under Article 11, including the operating entity/ies, but not necessarily to imply the existence of a distinct entity other than the operating entity/ies. 10/

25. If the second hypothesis were to hold good, an operating entity would be a direct interlocutor of the COP, receiving guidance from the COP and being accountable to it. Moreover, the governance of an operating entity would be expected to conform to the provisions of Article 11.2.

26. Under either hypothesis, the question would arise whether the operating entity/ies would be legally bound by the guidance and decisions of the COP. In principle, the Convention only binds Parties to it. Of course, Parties to the Convention would be expected to act consistently with the Convention - and certainly not against its purposes - in other bodies of which they are members. Nevertheless, it may be worth considering whether the relations between the COP and an operating entity might need to be governed by a legal agreement.

27. The Committee may wish to consider and clarify these matters.

B. What types of measures is the financial mechanism to fund?

28. Article 11 does not specify the types of actions or measures to be funded by the financial mechanism, except for the transfer of technology. Such specification is left to emerge from the policies, priorities and criteria to be decided by the COP. Article 4.3, that contains commitments by developed Parties listed in annex II to provide new and additional financial resources for developing country Parties, envisages funding for two broad categories of measures and related costs:

(a) Compliance with obligations under Article 12.1 to communicate information; "agreed full costs" are to be met; there is no reference to Article 11;

(b) Measures covered by Article 4.1; "agreed full incremental costs" are to be met; reference is made to Article 11.

29. With respect to the second category, Article 4.3 does not distinguish among the types of measures set out in Article 4.1. It specifies only that the measures to be funded are to be agreed between a developing country Party and the operating entity/ies of the financial mechanism, in accordance with Article 11.

30. Article 4.1 covers a range of possible measures, including measures to mitigate climate change but also actions relating to adaptation to climate change, as well as to research, information exchange, education, training and public awareness. Some of the latter are spelled out in Articles 5 and 6. Furthermore, Article 4.8 calls for consideration, in the implementation of commitments in Article 4, of actions related to funding, insurance and transfer of technology to meet specific needs and concerns arising from the adverse effects of climate change and the impact of response measures.

31. It may also be noted that the transfer of technology, which is mentioned as part of the financial commitments in Article 4.3 and as one purpose of the financial mechanism in Article 11.1, is the subject of a specific commitment: Article 4.5.

32. Viewing the second element of paragraph 3 of Article 4 in this context may lead to the conclusion that it permits funding through the financial mechanism for the agreed full incremental costs of all types of measures and actions specified in paragraphs 1, 5 and 8 of that Article. On the other hand, paragraph 4 of the same Article establishes a separate commitment with respect to assistance in meeting the costs of adaptation to the adverse effects of climate change. The latter paragraph does not refer to the financial mechanism.

33. It would be desirable for the Committee to provide a preliminary clarification of the intended scope of the measures to be funded through the financial mechanism. Otherwise the burden of such clarification would fall upon the operating entity/ies, in responding to specific requests for funding. Answers to the following questions would help to clarify this matter:

(a) Is the first element of Article 4.3 (agreed full costs of compliance with Article 12.1) within the scope of the financial mechanism defined in Article 11?

(b) Is the intended scope of that financial mechanism limited to the implementation of the funding commitments in Article 4.3? Or does its scope also comprise the commitment in Article 4.4?

(c) Does the second element of the commitment in Article 4.3 apply to the agreed full incremental costs of all types of measures covered in Article 4.1? Is it affected by Article 4.5? and by Article 4.8?

C. Could the GEF be the sole operating entity of the financial mechanism?

34. The GEF is designated as the entity to operate the financial mechanism on an interim basis. It may be assumed that, if the GEF fulfils the conditions set by the Convention to the satisfaction of the COP, it will be confirmed as an operating entity by the COP, at least up to the review provided for in Article 11.4, within four years of the first COP. The question arises whether the GEF could be the sole operating entity. The answer to this question depends on that to the previous one, on the scope of the financial mechanism.

35. As stated earlier, GEF funding is oriented to the achievement of "agreed global environmental benefits". In funding climate change projects during its pilot phase, the GEF has focused on measures aimed at mitigating climate change by reducing GHG emissions. Mitigation can clearly be considered a global environmental benefit; it reduces the global risk of "dangerous anthropogenic interference in the climate system" (Convention, Article 2).

36. However, as pointed out in discussing the scope of the financial mechanism, that mechanism may be required to fund measures other than those to mitigate climate change by limiting emissions, including the various types of measures in Article 4.1 (g) to (i) and possibly adaptation measures (see para. 30 above). This requirement gives rise to the following questions for consideration by the Committee concerning the compatibility between the scope of the financial mechanism and the orientation of the GEF to achieving global environmental benefits:

(a) Will all measures determined to be within the scope of the financial mechanism be deemed to produce (or lead to, or be supportive of) global environmental benefits? Or will the scope of the financial mechanism be limited to specified measures that are considered to produce such benefits? An affirmative answer to either question would mean that the GEF, with its present terms of reference, would be available to function as the sole operating entity of the financial mechanism, if so decided by the COP;

(b) If neither answer is affirmative, will the terms of reference of GEF be modified to correspond to the scope of the financial mechanism? Or will the COP need to designate one or more other operating entities to fund measures that fall outside the mandate of the GEF? Or will finance for such measures be

provided through channels outside the financial mechanism, as envisaged in Article 11.5?

D. How will the Convention affect the GEF?

37. If it is assumed that the provisions of Article 11 that are applicable to "the financial mechanism" are also intended to apply to its operating entity/ies, a number of questions arise regarding the application of Articles 11 and 21 in relation to the GEF as an operating entity.

38. An overriding issue is how to ensure the continuing compatibility of the interests and strategies of the COP with those of the GEF and its major stakeholders, including its Implementing Agencies. This question is rendered more complex by the fact that the convention on biological diversity will generate its own dynamics in relation to the GEF. If the GEF is convention-driven, could it be driven on to diverging tracks? If the conventions are finance-driven, could the weight of the practices and procedures of the GEF and its Implementing Agencies attenuate the policy primacy of the convention Parties?

39. The harmonious reconciliation of these tendencies will be promoted if, as may be hoped, governments take coherent and consistent decisions in the different institutions, as a result of adequate interdepartmental coordination at the national level. If membership in the institutions is identical or largely overlapping, this should encourage compatibility. Efforts to override differences in international institutional cultures and decision-making processes will also be constructive. At the same time, specific operating arrangements will need to be agreed between the respective Conferences of the Parties and the GEF. Such arrangements will help to avert differences in interpretation of respective roles and functions. As suggested earlier, such agreements may need to take a legal form. Such formal arrangements will be reinforced by collaborative working relations among the respective presiding officers, bureau members and secretariats.

40. In respect of the Framework Convention on Climate Change, the following are among the more specific questions that arise.

(i) How will the GEF function under the guidance of the COP?

41. The Convention specifies that, in the context of providing guidance to the financial mechanism, the COP is to decide on policies, programme priorities and eligibility criteria related to the Convention (Article 11.1). This will imply a significant modification of existing GEF decision-making processes, affecting the roles of the GEF Participants and the STAP, and possibly also the procedures of the Implementation Committee and the Implementing Agencies.

42. It may be assumed that the COP will take over responsibility for policy guidance from the GEF/PA in relation to the GEF global warming or climate change programme and that it will review, and may decide to modify, existing or evolving GEF policies, priorities and criteria related to that programme. Such review could apply, for example, to current approaches to the determination of

global benefits, agreed full incremental costs and cost-effectiveness in relation to climate change projects; to the relevant generic and specific criteria and priorities elaborated by the STAP for GEF projects; or to policy and practice relating to multi-sectoral GEF projects that involve a climate change component. The COP would take into account provisions of the Convention relevant to programme priorities, including Articles 4 (paras. 1, 4, 5, 8 and 9), 5 and 6. Inputs to programme content may also be drawn from relevant chapters of "Agenda 21", adopted by UNCED. Consideration may be given to the role that might be played in support of these functions of the COP by one or both of the subsidiary bodies established by the Convention (Articles 9 and 10).

43. It may further be assumed that, for its part, the GEF "system" will retain responsibility for programme elaboration and for project approval. This division of labour will need to be worked out in practice and kept under review.

44. A number of questions arise concerning this division of labour:

(a) What body will ensure conformity of GEF climate change projects to the guidance and decisions of the COP, in accordance with Article 11.3(a)? Would this be the task of the GEF/PA or of the STAP?

(b) How can the modalities pursuant to Article 11.3(b), for reconsideration of funding decisions - presumably at the request of the COP - be defined so as to respect the division of labour?

(c) How may differences be resolved between the GEF and developing country Parties in interpreting and applying Article 4.3 (e.g. with respect to the determination of the "agreed full incremental costs" of specific measures)?

(d) Will there be a need to define a division of labour and specify collaborative working arrangements between the Subsidiary Body for Scientific and Technological Advice (Article 9) and the STAP?

45. Some more general questions also arise, for example:

(a) Will there be areas of guidance from the COP to the GEF/PA other than "policies, programme priorities and eligibility criteria"?

(b) Will all GEF activities relating to its climate change portfolio be subject to COP guidance and decisions? Or could the GEF fund climate change activities in States not eligible for assistance under the Convention, i.e. non-Parties or Parties that are not developing countries?

46. The Committee may consider what preliminary guidance it can give to the GEF Participants on the above and related questions concerning the modus operandi under the Convention. It may also consider whether it would be useful to consider at a future session any issues of policy, priorities and criteria on which the COP would need to decide, e.g. in relation to the determination of "agreed full incremental costs". If so, the Committee may wish to give thought to the preparatory work that might be needed.

(ii) How will the accountability of the GEF to the COP operate?

47. The Convention specifies that the financial mechanism shall be accountable to the COP (Article 11.1) and that an operating entity shall provide regular reports to the COP on its funding operations (Article 11.3(c)).

48. It may be assumed that:

(a) The COP, at each session as needed, will address a report, resolution or other communication to the GEF/PA, compiling its relevant guidance and decisions adopted at that session, for consideration and action by the GEF/PA;

(b) Such a communication from the COP will be automatically placed on the agenda of the GEF/PA;

(c) The regular (twice-yearly) reports on GEF funding operations to the GEF/PA by its Chairman could be made available to the COP, possibly under cover of a note drawing attention to the relevant parts.

49. Questions arising in this connection include the following:

(a) Will the content of the GEF/PA Chairman's regular reports need to be modified to respond to the needs of the COP?

(b) What separate reports will be required on the implementation by the GEF of specific guidance and decisions of the COP?

(c) Are the rules and practices of the GEF Implementing Agencies concerning the disclosure of information compatible with the requirement for accountability to the COP (in particular with respect to reconsideration of funding decisions)?

50. The Committee may consider what preliminary guidance it can give to the GEF on the above and related questions.

(iii) How will levels of GEF funding for the implementation of the Convention be determined?

51. The Convention provides that the COP and the operating entity/ies shall agree on arrangements for "determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed" (Article 11.3 (d)). The funding for the Convention is to be "new and additional" (Article 4.3) and "on a grant or concessional basis" (Article 11.1). The COP is to "seek to mobilize financial resources in accordance with Article 4, paragraphs 3, 4 and 5, and Article 11" (Article 7.2(h)).

52. One of the fundamentals of the GEF is that it is a single fund with a single replenishment process. It is not conceived of as an aggregation of discrete "windows". The first GEF replenishment process, now getting under way and due to be completed by the end of 1993, will raise fresh funding for the period 1994-1996. It will seek to reconcile the needs of each focal area or convention in that period with the aggregate availability of funds from contributors and their views on "burden-sharing", i.e. the allocation of the overall fund-raising target among contributors. As indicated earlier, the availability of funding is likely to be related to the degree of confidence that the GEF will be confirmed as a means to finance activities under the auspices of the conventions on climate change and biological diversity.

53. On this point, it should be noted that the amount of funding needed by developing countries to meet their obligations under the Framework Convention on Climate Change in the 1994-1996 period is likely to be small. Funding arising from the initial obligations of developing country Parties to communicate information under Article 12.1 is likely to start late in that period, on account of the provisions of Article 12.5 concerning the timing of such communications. Consequently, the emphasis of GEF funding in support of the Convention in 1994-1996 will be on preparations for the implementation of commitments by developing country Parties (e.g. national "country studies", data collection, capacity building), and on projects consistent with their commitments. Funding needs for climate change will have to be assessed with this in mind.

54. The Committee may consider:

(a) How it can contribute to the current GEF replenishment process and to the determination of the funding necessary and available for the climate change portfolio in the next phase of GEF?

(b) How will the COP be able to influence the outcome of future replenishment processes and the apportionment of the available sum among the GEF's focal areas in the light of the needs under the Convention?

(iv) What GEF governance arrangements can best respond to the Convention's requirements?

55. The Convention provides that the financial mechanism "shall have an equitable and balanced representation of all Parties within a transparent system of governance" (Article 11.2). It further provides, in connection with the designation of the GEF as the interim operating entity, that "the GEF should be appropriately restructured and its membership made universal to enable it to fulfil the requirements of Article 11" (Article 21.3). It may be inferred from the context that the intent of the restructuring of the GEF includes the fulfilment of the characteristics set out in Article 11.2.

56. The current status of the restructuring of the GEF is summarized in paragraphs 14 to 22 of this note. Information on subsequent developments will be conveyed to the Committee at the start of its seventh session.

57. The COP will in due course need to make a determination of the adequacy of the governance arrangements for the GEF in the light of Articles 11 and 21.3. 11/ However, it would be desirable for the Committee, by its eighth session, to give the GEF a clear signal on this key issue, so that the restructuring of the GEF could be satisfactorily completed this year and replenishment proceed with some confidence as to the outcome of the review by the COP of the interim arrangements for the financial mechanism.

58. In addition to giving guidance on governance issues, the Committee may wish to give its views on various means of buttressing formal governance arrangements, e.g. coordinated governmental representation in meetings under the Convention and the GEF, reciprocal participation by presiding officers and other bureau members, and inter-secretariat collaboration.

Notes

1/ See tasks B.1 and B.3 in the work plan adopted by the Committee at its sixth session (A/AC.237/24, para. 44); see also annotations to task B.1 in A/AC.237/24, annex I.

2/ See GEF, "The Pilot Phase and Beyond", May 1992 - hereinafter "GEF 1992" - Part One, Principles I and II.

3/ The breakdown of these 43 States is as follows: 28 actual contributors (of which 10 developing countries); 15 others (of which 12 developing countries and 2 countries with economies in transition).

4/ The documentation in the addendum to this note includes extracts from a STAP document on project eligibility criteria and priorities and from the latest report by the Chairman of the STAP to the GEF Participants.

5/ For example, the World Bank is responsible for investment projects, the UNDP for technical assistance projects and pre-investment feasibility studies.

6/ Information in this paragraph is drawn from the Chairman's Report to the December 1992 Participants' meeting. See tables 2 and 3 from that report, reproduced in the addendum to this note.

7/ GEF 1992, Part One.

8/ Ibid, note accompanying Principle III.

9/ A technical workshop on measuring incremental costs of climate change projects was organized by GEF on 8-9 February 1993 (New Delhi, India). Its outcome is expected to be available at the special meeting of the GEF Participants in March.

Notes (continued)

10/ An alternative to this hypothesis is that the set of arrangements under Article 11 could include a subsidiary body of the COP that would be the conduit for relations between the COP and the operating entity/ies. Note the relationship defined in Article 9 between the Subsidiary Body for Scientific and Technological Advice and "existing competent international bodies".

11/ The provisions of UNCED's "Agenda 21" on GEF restructuring (para. 33.14(a)(iii) and their consideration by the Commission on Sustainable Development will be relevant to the COP's decision. This paragraph of "Agenda 21" is reproduced in the addendum to this note.

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FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
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Item 2 (a) of the provisional agenda

MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO DEVELOPING COUNTRY PARTIES:

A. IMPLEMENTATION OF ARTICLE 11 (FINANCIAL MECHANISM), PARAS. 1-4

Addendum 1

Selected background documentation relating to the Global Environment Facility (GEF)

Note by the secretariat

This addendum contains copies of relevant extracts from the following GEF documents, available in English only, as well as from "Agenda 21" adopted by the United Nations Conference on Environment and Development:

		Pages
A.	"The Pilot Phase and Beyond", May 1992; Part One "Beyond the Pilot Phase", Principles;	2 - 3
B.	Idem, Annex III "Criteria for Eligibility and Priorities for Selection of GEF projects"; Report by the Scientific and Technical Advisory Panel;	4 - 11
C.	"Agenda 21" (A/CONF.151/26(Vol.III));	12
D.	Report by the Chairman of the STAP to the Participants' Meeting, December 1992;	13 - 18
E.	Report by the Chairman to the Participants' Meeting, December 1992; Part One, Main Report; Tables 2 and 3;	19
F.	Participants' Meeting, December 1992, Chairman's Summary.	20 - 22

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A. "The Pilot Phase and Beyond", May 1992; Part One "Beyond the Pilot Phase", Principles

1.01 The operational experience of the GEF's first year[1] has helped to crystalize certain principles which would serve as building blocks for the future. These principles are:

1.02 **Principle I: The GEF would provide additional grant and concessional funding of the agreed incremental costs for achieving agreed global environmental benefits.**

The ability to raise additional funds is linked to the focus on incremental cost[2] financing. This could be achieved through a periodic replenishment of a single fund. The GEF should not replace other funds; it should be additional and complement multilateral and bilateral development assistance.

1.03 **Principle II: The GEF would finance activities which benefit the global environment. It would continue to support its current four focal areas. Land degradation issues, primarily desertification and deforestation, as they relate to the focal areas of the Facility, would be eligible for financing.**

It should, however, be noted that within these four areas -- global warming, biodiversity, international waters and ozone depletion -- there are many instances where it is difficult to distinguish global and national environmental benefits, and therefore some degree of flexibility in interpreting such benefits is required.

1.04 **Principle III: The GEF is available to function as the funding mechanism for agreed global environmental conventions, should the parties to those conventions so desire.**

The primacy of the parties to an individual convention would be maintained with respect to policy and program priorities, guidelines for project formulation, and eligibility criteria. The GEF would focus on programming and implementation and ensure that convention-specific priorities and criteria are fully respected.

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[1] For a more detailed discussion of developments since December 1991, see the April 1992 Chairman's Report, Volume I.

[2] "Incremental costs" are defined as the extra costs incurred in the process of redesigning an activity vis a vis a baseline plan – which is focussed on achieving national benefits – in order to address global environmental concerns. GEF funding thus covers that part of the expenditures that is not offset by nationally appropriated benefits. Alternative assumptions – each reasonable – about baseline expenditures have been shown to result in a wide range of incremental costs. It follows that since applying this principle unambiguously in practice is difficult, some flexibility in its interpretation may be called for. As part of its Policy and Strategy Work Program, GEF staff, in cooperation with STAP, intend to review operational definitions of incremental costs.

1.05 **Principle IV: The GEF would assure the cost effectiveness of its activities in addressing the targeted global environmental issues.**

One important feature of adhering to the principle of cost effectiveness is that the least cost means of meeting many global environmental objectives lie in a judicious combination of investment, technical assistance, and policy actions at the national and regional level. Thus, in assessing specific project interventions, the range of possible policy and investment options will need to be carefully reviewed, including their sustainability.

1.06 **Principle V: The GEF would fund programs and projects which are country driven and consistent with national priorities designed to support sustainable development.**

The costs of incremental action needed to attain global environmental benefits are strongly influenced by existing national policies. In a distorted economy, these costs could be very high. Hence, GEF financing will need to be coordinated with the implementation of appropriate national policies, as well as with development financing.

1.07 **Principle VI: The GEF would build on proven institutional structures, such as the partnership among UNDP, UNEP, and the World Bank, thus avoiding the creation of new institutions.**

The management of the Facility must be cost-effective, its staffing levels prudent, and its operating modalities efficient.

1.08 **Principle VII: The GEF must be transparent and accountable to contributors and beneficiaries alike.**

The goal of the GEF is universal membership. The GEF would ensure a broad and equitable representation of developing and developed countries in the governance and guidance of the Facility.

1.09 **Principle VIII: The GEF would have sufficient flexibility to introduce modifications as the need arises.**

The Participants have communicated to the members of the International Negotiating Committees for the Climate and Biodiversity Conventions that the GEF would be available as the funding mechanism for these conventions, should the Parties so desire. In addition, funding for other existing or prospective global environmental conventions could be assigned to the GEF, where the agreed global environmental benefits and available resources make such coverage appropriate. Consequently, the governance of the GEF would have sufficient internal flexibility to permit a smooth transition towards a GEF with a broader scope of work, if and when needed. Flexibility may also be important for strengthening the involvement of the private sector in the GEF.

B. "The Pilot Phase and Beyond", May 1992; Criteria for Eligibility and Priorities for Selection of GEF projects; Report by the STAP

1.0 *Introduction*

Under its terms of reference, the Scientific and Technical Advisory Panel (STAP) of the Global Environment Facility (GEF) has been tasked by the three implementing agencies, World Bank, United Nations Development Programme (UNDP), and the United Nations Environment Programme (UNEP) with formulating for each of the four basic areas of environmental intervention, i.e. reduction of greenhouse gas emissions, protection of biodiversity, protection of international waters, and reduction of ozone layer depletion:

* a set of criteria for identifying projects (or programmes) eligible for GEF consideration, and

* a list of priorities for selecting GEF projects.

The present document aims to provide the three implementing agencies with criteria for eligibility and priorities for project selection. This document also provides those countries eligible to submit GEF proposals with information that will facilitate project formulation.

The criteria and priorities have been developed so that the final portfolio of projects will be balanced and representative of the range of interventions involving technologies, techniques, and policies that should be funded by GEF.

A fundamental perspective guiding this document is that the present phase of GEF activity is an initial pilot phase. GEF is likely to be continued in an "operational" phase, when the relative importance of some of the criteria and priorities will be different, notably the issues of cost-effectiveness and incremental costs will assume increased importance. Therefore, the criteria and priorities set forth in this document for the pilot phase will evolve in order to be consistent with the criteria and priorities emanating from the climate change and biodiversity conventions.

The present document develops:

(i) a set of generic criteria that must be satisfied by any project (irrespective of which category environmental intervention it belongs to) for it to become eligible for consideration;

(ii) a set of criteria specific to each category of environmental intervention that must be satisfied by any project for it to become eligible for consideration;

(iii) a set of priorities to select (out of the set of eligible projects) a sub-set of projects for GEF funding;

(iv) quantitative funding targets for the various project areas concerned within three of the environmental areas covered by the GEF mandate (an exception is made in the case of reduction of ozone-depleting substances);

(v) criteria and priorities for research activities within the GEF context.

In addition, STAP has identified the types of projects that have the potential to simultaneously contribute to two or more of the environmental areas of intervention.

This document will be re-issued in the near future incorporating a set of appendices that will describe the analytical framework for each environmental issue from which the criteria and priorities were derived.

Criteria and priorities for GEF projects must evolve as experience is gained in their application, as new scientific evidence on the issues emerge on the interventions and impacts, and as the political process modifies the objectives of the whole programme. A preliminary draft set of criteria and priorities were "field-tested" by the implementing agencies in the preparation of the Second Tranche of projects. These "field-tests" brought forth a number of difficulties, reactions, comments and suggestions. This extremely valuable feed-back from the implementing agencies was taken into account in developing an Initial Implementation Draft (November 1991) for use in the preparation of the third tranche. The present document has taken into account additional suggestions from governments, the scientific and technical community, and the implementing agencies.

2.0 *Generic Criteria Applicable to all Four Areas of Global Environment Facility (GEF) interventions*

A project from any category of interventions can become eligible for consideration for GEF selection if and only if it satisfies the following generic criteria

The project should:

- have the potential to benefit the global environment in terms of one or more of the following generic impacts (i) reduction in greenhouse gas emissions, (ii) protection of biodiversity, (iii) protection of international waters, or (iv) a reduction in ozone layer depletion;

- contribute to human welfare and sustainable development;

- be replicable (in an international context);

- contain an incentive design to secure sustainability;

- be unlikely to be included in the country's development portfolio without GEF funding, even though it has significant global and national benefits. In general, GEF should fund projects when domestic costs are greater than domestic benefits, but global benefits are greater than domestic costs;

- o develop human capability (through education, training and research) and institutional capability;
- o have a firm scientific and technical basis;
- o have a good chance of succeeding through a strong interaction of technological and scientific knowledge and social and economic issues;
- o be placed in the context of comprehensive existing or evolving national and regional environmental programs, which should provide favorable political, economic, legal, and administrative conditions for the effective implementation of the GEF investment;
- o include plans for evaluation and dissemination of results and knowledge;
- o include plans, as appropriate, for post-GEF project continuation of the activity within the national context;
- o be participatory in nature, involving close collaboration with local communities wherever possible;
- o be of sufficient maturity that it can to be developed within the three-year GEF time frame for project approval;
- o satisfy an environmental impact assessment that examines all potential adverse consequences.

Since the present phase of GEF can be viewed as a pilot phase in which there are definite constraints on the funds available, it would be advantageous if the restricted funds are utilized to innovate. In other words, other things being equal, it makes sense that GEF funds should be used to support innovative projects and do something new. In the pilot phase, therefore, the following additional generic criterion commends itself: the project should

- o have some innovative characteristics.

Obviously, as GEF or some GEF-like mechanism moves into its operational phase, the premium on innovativeness will diminish and projects need not necessarily be novel. Rather, their cost-effectiveness and beneficial impact on the global environment is far more important.

Satisfaction of the above generic criteria is a <u>necessary</u> condition for a project to become eligible for GEF selection; i.e., if a project does not satisfy these generic criteria, it disqualifies itself and becomes ineligible for consideration for inclusion in the GEF portfolio. On the other hand, satisfaction of the above generic criteria is not a sufficient condition for a project to become eligible for consideration for GEF funding. Other conditions have also to be satisfied depending upon the category of environmental intervention. These additional eligibility criteria are elaborated below under the four environmental issues.

3.0 *Resource allocation*

It is the understanding of STAP that the Participants of the GEF have indicated that approximately 40-50 per cent of the Global Environment Trust Fund (GET) resources shall be spent on projects concerned with the reduction of greenhouse gas emissions, about 30-40 per cent on projects to protect biodiversity, about 10-20 per cent on the protection of international waters and a small amount on the reduction of ozone-depleting substances. The small percentage of GET resources for the ozone depletion issue arises because most of the developing countries that have signed and ratified the Montreal Protocol on Substances that Deplete the Ozone Layer are eligible for funding from the Interim Multilateral Fund for the Implementation of the Montreal Protocol.

The following sections describe how STAP has indicated quantitative targets for allocation of financial resources within three of the environmental areas covered by the GEF mandate (an exception is made in the case of reduction of ozone-depleting substances). These targets reflect STAP's overall sense of the relative weight to be allocated to the various project areas concerned, and STAP considers that these targets should appropriately guide the three implementing agencies in their identification and selection of projects. At the same time, STAP is quite clear that the targets can serve as general guidelines rather than as rigid goals for the allocation of resources. In particular, the quantitative indications must not result in a departure from, and devaluation of, the qualitative criteria for projects as set forth in the following guidelines.

If it should turn out that the targets cannot be reached because the number of project applications satisfying the qualitative criteria is inadequate, preference must be accorded to those applications fulfilling the highest standards rather than attempting to select projects solely to fulfill the targets.

4.0 Reduction of greenhouse gas emissions

Three principles have guided the analytical approach developed by the Working Group on Reduction of Greenhouse-gas Emissions.

First, decision makers should have at their disposal a growing menu of technologies from which to choose those options offering the greatest possible emission-reduction at the lowest cost. By choosing among these possibilities, a least-cost emissions-reduction strategy can be formulated.

Second, in order for this menu of technological possibilities to expand and achieve even greater cost-effective emissions reduction, it is important that promising but not-yet-proven technologies be pushed in the right direction, i.e., initiatives should be taken to move the technology into general use in cases where the technology, the economics or the market is not yet "right".

Third, GEF funding should be provided so that decision-makers can include in the portfolio of technologies required to advance development those technologies that have global environmental benefits.

On the basis of this framework, it is suggested that one of the most effective roles GEF can play is to take technologies that promise to expand the menu of emissions-reduction options available to decision-makers and to overcome the technological, economic, and market acceptance shortcomings of these technologies. It is further suggested that GEF's role be focussed and its

performance evaluated on its ability to move such promising technologies into widespread use as measured by the willingness of "conventional" financing sources to take on future rounds of such projects.

Another important point is to enrich the development portfolio with projects of global environmental benefit.

Thus, an important perspective is that the technologies deployed in the reduction of greenhouse gas emissions become economically and developmentally sustainable.

4.1 *Additional Criteria for project eligibility in the Area of Reduction of Greenhouse Gas Emissions*

4.1.1 Though a project may satisfy all the generic criteria (i.e., all the necessary conditions), it may involve an emissions-reduction technology (ERT) that has not yet achieved its full technical, economic, and market potential, which in fact may be far greater than the technologies conventionally deployed. The realization of emissions-reduction potential of such a promising technology requires that it must be assisted to achieve its full technical, economic, and market potential with GEF funding because mainstream financing will not deem it ready for support. Thus, GEF support is crucial to make the ERT implementable because it would not be implemented without this demonstration and proof of implementability.

In the case of a project involving such a promising emissions-reduction technology (ERT) that has not yet achieved its full technical, economic, and market potential, at least one of the following sub-criteria must be met in order to make the project eligible for consideration for GEF selection:

- Given that an emissions-reduction technology (ERT) is technically feasible (in the sense that the research and development are complete) but not yet proven, GEF support is necessary to demonstrate the technology or to prove its functioning;

- Given that an ERT has been technically proven, GEF support is necessary to make it economically viable by getting the costs right, i.e., the technology needs to capture the economies of large scale production.

- Given that an ERT is economically viable (using accepted criteria), GEF support is necessary to demonstrate how to make it the ERT marketable;

- Given that an ERT is technically and economically viable, and also market-worthy, but the country lacks appropriate policies and legislation, institutional capabilities, managerial competence and skilled personnel, GEF support in the form of technical assistance, training facilities and training is necessary to overcome these shortcomings;

- GEF support makes ERTs implementable because they would not be implemented without this demonstration and proof of implementability.

4.1.2 To ensure the replicability of the projects both within the country and in other countries, the project should:

- o Result in the preparation of complete implementation packages, identifying and specifying all hardware as well as software (policies, policy instruments, policy agents, institutions, financing, management, etc.);

- o Ensure that performance evaluation plans, such as monitoring of actual greenhouse gas reduction measures and their cost-effectiveness, are built into the project.

4.2 *Resource allocation and priorities for project selection*

The application of the generic criteria and area-specific criteria will lead to the identification of a large number of projects eligible for consideration for selection in the GEF portfolio. The next step is to select from such a suite of eligible projects. This selection has to be made on the basis of priorities for selection. Ideally, the prioritization should be done on the basis of the magnitude of potential emissions reduction and the cost-effectiveness of such reductions so that a least-cost emission-reduction strategy is implemented. However, it should be noted that additional work on the methodology and data base is needed before a completely rigorous approach is feasible, although there are some fairly good ideas on how to construct cost-effectiveness curves. Under these circumstances, the prioritization of eligible projects should be done taking into account the following factors:

- o the importance of CO_2 due to emissions arising from the combustion of fossil fuels and land-use changes, and of CH_4 emissions induced by human activities.

- o the cost effectiveness of the technology deployed to reduce greenhouse gas emissions

The following section outlines the suggested funding allocation between generic categories of intervention, and the priority areas within each of the generic categories of intervention. STAP recommends that about 80 per cent of the allocation to each generic category be directed to the illustrative priority project areas within the generic category.

The percentages suggested are only indicative of priorities; it is acknowledged that opportunities and operational constraints may result in a different outcome, despite a "best efforts" attempt by the implementing agencies in which case the attempt must not be viewed as a failure. In fact, a significant shift in the direction of the targets must be adjudged as a success.

4.2.1 Improvements in end-use efficiency (35 per cent):

- o Reduction of energy intensity of basic materials;

- o Efficient motors and drives;

- o Lighting;

- o Irrigation pump sets;

- o Vehicle fuel efficiency;

- o Water heating.

4.2.2 Reduction of the emissions intensity of energy production (30 per cent):

- o Renewables such as photovoltaics;
- o Biomass gasifiers/gas turbines;
- o Growing and using sustainable biomass to replace fossil fuels;
- o Advanced, efficient gas turbine cycles;
- o Microhydropower.

4.2.3. Encouragement of shifts to beneficial fuel and transportation modes (10 per cent):

- o Coal/oil fuel switching to other fuels, including natural gas or environmentally benign renewables;
- o Transport modal shifts.

4.2.4. Non-carbon dioxide emission reductions, in particular methane (15 per cent):

- o Urban and rural waste treatment;
- o Reduction of flaring/venting of natural gas;
- o Reduction of releases associated with coal mining.

4.2.5. The remaining balance should be allocated to projects within the following generic areas (10 per cent):

- o Transmission and distribution efficiency
- o Emissions reduction at the point of end-use
- o Combating deforestation
- o Sequestering of greenhouse gases, e.g., reforestation

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9.0 *Criteria and priorities for research projects*

While the GEF is an action oriented program that will, if successful, develop a broad range of implementable solutions to complex environmental issues it is absolutely essential that there is a small "targeted" research element. The research should be applied, mission oriented and specific to developing countries. In some cases, STAP believes that a project may require a minimum research activity to facilitate the conduct of the project implementation.

9.1 Criteria:

GEF research projects should:

- o facilitate and enhance the quality of current or future technical assistance or investment projects.

- o generate scientific information required for ratified international conventions such as the Vienna Convention for the Protection of the Ozone Layer and it's Montreal Protocol, or for international conventions currently under negotiation, such as biodiversity and climate change.

9.2 Priorities

9.2.1 Reduction of greenhouse gas emissions

- o national inventories of the sources and sinks of greenhouse gases, which would lead to an improved understanding of the type of greenhouse gas reduction investment project that would be most cost-effective.

- o development of methodologies for least-cost emission curves.

- o improved quantification of greenhouse gas emissions from human activities, e.g., methane emissions from rice cultivation, natural gas lines, and land-fills, which will assist in the implementation of projects that will reduce greenhouse gas emissions.

9.2.2 Protection of biodiversity

- o floristic and faunistic inventories in order to establish baseline levels of ecosystem biodiversity, needed to evaluate the effectiveness of protection measures;

- o selective reproductive biology;

- o identification and selection of local germplasm;

- o in vitro propagation;

- o embryo transplant;

- o population ecology seed bank establishment;

- o in-situ conservation plot experiments;

- o economic, ethical and cultural value estimation of an areas biodiversity.

9.2.3 Protection of international waters

- o studies to understand the resilience of tropical marine communities to pollutants

- o new technologies for water and sewage treatment

C. "Agenda 21: (A/CONF.151/26(Vol.III)

The Global Environment Facility, managed jointly by the World Bank, UNDP and UNEP, whose additional grant and concessional funding is designed to achieve global environmental benefits, should cover the agreed incremental costs of relevant activities under Agenda 21, in particular for developing countries. Therefore, it should be restructured so as to, inter alia:

Encourage universal participation;

Have sufficient flexibility to expand its scope and coverage to relevant programme areas of Agenda 21, with global environmental benefits, as agreed;

Ensure a governance that is transparent and democratic in nature, including in terms of decision-making and operations, by guaranteeing a balanced and equitable representation of the interests of developing countries and giving due weight to the funding efforts of donor countries;

Ensure new and additional financial resources on grant and concessional terms, in particular to developing countries;

Ensure predictability in the flow of funds by contributions from developed countries, taking into account the importance of equitable burden-sharing;

Ensure access to and disbursement of the funds under mutually agreed criteria without introducing new forms of conditionality;

D. Report by the Chairman of the STAP to the Participants' Meeting, December 1992

Portfolio Balance

20. STAP understands that the Participants of the GEF have indicated that there should be both regional and thematic balance. The approximate thematic allocations are: 40-50 per cent of the Global Environment Trust Fund (GET) resources shall be spent on projects concerned with the reduction of greenhouse gas emissions, about 30-40 per cent on projects to protect biodiversity, about 10-20 per cent on projects to protect international waters, and a small amount on projects to reduce ozone-depleting substances. In addition to the thematic and regional balance suggested by the Participants, STAP recommended quantitative funding targets for the various project areas within each of the environmental areas, e.g. 35% of the global warming portfolio should be allocated to improvements in end-use efficiency; 45% of the biodiversity portfolio for tropical forests; and 50% of the international waters portfolio for reduction of pollution in river systems and coastal areas.

After the First Three Tranches

21. STAP has performed an evaluation of the GET portfolio balance of projects in the first three tranches. STAP, through UNEP, solicited the assistance of a number of non-STAP experts to review both the biodiversity and global warming portfolios, but not the much smaller international waters portfolio. There was no ozone portfolio to review. The draft evaluations are attached to this report (Appendices 1-3), hence only the key conclusions are summarized in this report.

22. There was a clear regional and thematic imbalance after the first three tranches, with African and Global Warming projects under-represented and Asian and Biodiversity projects over-represented.

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24. Global Warming: This review was conducted by a small number of external reviewers and by members of STAP. The key conclusions, which are elaborated in Appendix 2, include:

* There are obvious weakness in the geographical distribution of the projects. Although most of the technologies developed in this portfolio are not country-specific and are globally replicable, the geographical distribution of the selected projects still remains an important issue. The differences in local resource, economic, culture, and institutional situations in different regions require appropriate allocation of projects among various regions. One particular defect is identified, i.e., the lack of projects in Africa countries.

* While most of the priority areas have been covered, there are significant differences between the STAP suggested and the actual allocation of funding among different priority areas.

* The priority area of Improvement of End-Use Efficiency is under-funded (suggested: 35%, actual: 12.3%). Within the six sub-areas listed in the Criteria and Priority structure, only three projects were selected. One-half of these sub-areas have not been covered, i.e., Reduction of Energy Intensity of Basic Materials, Irrigation Pump Sets, and Water heating.

* The priority area of Reduction of the Emission Intensity of Energy Production is relatively over-funded (suggested: 30%, actual: 40%). Even though, one important sub-area has not been covered, i.e., the area of Advanced, Efficient Gas Turbine Cycle. Two large projects, the Philippines - Promotion of Geothermal Energy Development Project and the Indian - Non-Conventional Energy, require a total of $60M, which already corresponds to the suggested 30% share of this priority area. The review raises the question whether, with limited GEF funding in the pilot phase, the GEF should support more smaller projects with wider coverage or support a few large projects with limited coverage?

* In the course of portfolio development, a new category of projects emerged, i.e., the "Soft Technologies" for GHG reduction, including strategic planning, policy and institutional development, and capability building. These projects were considered indispensable for identification, evaluation, and implementation of GEF technical projects. In addition, the information generated by these types of projects will be invaluable for the operational phase of the GEF. Although this category was not explicitly addressed in the priority list, they have been allocated 9.5% of total GEF funding for Global Warming projects.

* A striking weakness appears in the area of forest preservation, management, and plantation. In this priority area there is only one small (controversial) project which represents 1.2% of total funding. This area is particular important because these types of projects have benefits that extend beyond Global Warming, i.e., biodiversity and the local environment.

* Another observation is the allocation of funding among the projects in various eligibility categories: technologies that are technically proven but not yet economic (57%); technologies that are marketable but would not successful due to some institutional shortcomings (17%); technically feasible but not yet proven technologies (10%). The sum of the funding in the rest of the categories constitutes only 16% of the total. Although STAP did not advise on the allocation of funds among different eligibility categories, the review raised questions about the impact of concentrating so heavily on only one category. The reviewers were doubtful whether the success of the technically-proven but not economic projects would improve the marketability of these technologies.

* The Brazil - Biomass Gasification and Gas Turbines, India - Non-Conventional Energy, and China - Coal-Bed Methane Pilot Projects were selected as the projects most consistent with the STAP criteria and priority structure. The China - Sichuan Gas Transmissions/Distribution Rehabilitation, and Poland - Coal-to-Gas Conversion projects were identified as the least consistent in the portfolio.

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After the First Four Tranches

26. The regional and thematic imbalance of the first three tranches, with African and Global Warming projects under-represented and Asian and Biodiversity projects over-represented, has been largely compensated by the choice of fourth tranche proposals. Assuming that all proposed fourth tranche proposals are approved, then African projects will have received 20% of the allocated funds compared to a target of 24%, and global warming projects will have received 40% of the allocated funds compared to a target of 40-50%.

27. The fourth tranche projects associated with carbon sequestration and reducing methane leaks or gas flaring helped to balance the global warming portfolio. However, one major imbalance in the global warming portfolio is that the number of energy efficiency projects is significantly less than STAP had recommended. The two small energy efficiency fourth tranche proposals do little to rectify this portfolio imbalance. In fact the percentage of funds allocated to energy efficiency projects after the fourth tranche is only about 10%, rather than the recommended 35%. The focus of the global warming portfolio tends to remain with the classic strengths of the World Bank, i.e., energy demand type projects.

Research Projects

28. STAP remains convinced that the GEF should contain a "targeted" research element, as discussed in each of the previous STAP chairman's reports. These projects will facilitate the implementation of both technical assistance and investment projects, provide information required for the development and implementation of international conventions on biodiversity and climate change, and at the same time improve the scientific and technical infrastructure that is so desperately needed in many developing countries.

29. STAP notes that there are already seven UNDP and UNEP targeted research/monitoring, convention related, or scientific institution building projects in the first three tranches:

Targeted Research and Monitoring:

* UNDP-the WMO inter-regional monitoring of greenhouse gases;
* UNDP-the OPS and IRRI inter-regional evaluation of methane fluxes from rice fields;

Convention Related Country Case Studies:

* UNDP-the Asian regional assessment of least-cost greenhouse gas reduction plans;
* UNEP-Greenhouse Gas Country case studies;
* UNEP-Biodiversity Country studies;

Scientific Institution Building:

* UNDP-the OPS and IOI inter-regional oceans training centres;
* UNDP-the ICSU START initiative.

30. STAP is strongly supportive of similar types of UNDP and UNEP projects proposed for the fourth tranche:

Targeted Research and Monitoring:

* UNDP-a slash and burn project that is a high priority for both the Biodiversity and Global Warming portfolios.

Convention Related Country Case Studies:

* UNDP-development of strategic least-cost approaches and programmes in Sub-Saharan Africa;
* UNEP-global biodiversity assessment;
* UNEP-biodiversity country studies;
* UNEP-biodiversity information network.

Scientific Institution Building:

* UNDP-an additional $3 million for the START project, which STAP views to be of the highest priority-see previous STAP chairman's report.

31. STAP believes that a strong endorsement of targeted research projects from the Participants is needed to provide the necessary priority for these types of projects in future phases (transitional and operational) of the GEF. There is one serious misunderstanding on the part of some Participants, i.e., that there are many sources of funding for improving the scientific infrastructure in developing countries. Unfortunately this is not true, therefore, STAP is analyzing the current status of the scientific infrastructure in developing countries and will soon release a report entitled: The Global Environment Facility, Environmental Conventions and the Need for Enhanced Research Activities in Developing Countries.

32. The report entitled "The Global Environment Facility, Environmental Conventions and the Need for Enhanced Research Activities in Developing Countries" will discuss:

* how scientific, technical and economic information can improve the effectiveness of GEF investment and technical assistance projects;
* how scientific, technical and economic information can assist developing countries implement the conventions;
* how scientific, technical and economic information can assist developing countries in the short-, medium-, and long-term achieve the goals of AGENDA 21, i.e., sustainable development
* the state of scientific infrastructure and level of funding in developing countries from governments, international agencies (e.g., WMO, UNEP, FAO, IMO, etc), and international programs (e.g., WCRP, IGBP, SCOPE, and MAB);
* the role of regional research centers;
* the role of assessments in formulating international consensus on the state of knowledge with respect to scientific information, environmental impacts, and policy response options, including economic costs and the state of technology and the level of participation by experts from developing countries;
* the current state of scientific knowledge and identification of key scientific uncertainties for global climate change, biodiversity, ozone depletion, and international waters. The types of policy-relevant questions to be addressed for each environmental issue include: (i) what are the factors that cause change: role of human activities; (ii) is the situation changing? (iii) what are the predictions of future change? (iv) what are the implications of change? (v) how can we mitigate or adapt to change? (vi) do economically viable approaches exist to mitigate or adapt to change?;
* lessons to be learnt from previous attempts at environmental protection; and
* recommendations and conclusions

* * * * * * *

Criteria and Priorities

34. A fundamental perspective guiding the formulation of the STAP criteria and priority framework was that the present phase of the GEF is an initial pilot phase and that the GEF is likely to be continued in a more operational manner, supporting conventions such as: climate change and biodiversity. Consequently, STAP is evaluating possible changes that may be needed to the current criteria and priority framework for the next phase of the GEF, consistent with the goals and objectives of the Biodiversity and Climate Change Conventions. A "transitional or operational" phase of the GEF that supports the Conventions should be based on lessons learned in the pilot phase with less emphasis on innovativeness, but with an increased emphasis on cost-effectiveness. Therefore, STAP is focussing its attention on elaborating definitions of national benefits, global benefits, cost-effectiveness, and incremental costs as suggested by several Participants at the May Participants meeting, and is examining how the criteria and priority framework can be made more operational. Although there will be less emphasis on innovativeness in future phases of the GEF, STAP strongly believes that in the "transitional and operational" phases of the GEF there needs to be a structured research and technology development component.

35. STAP has assumed that: (i) the scope of the GEF will largely remain unchanged, i.e., it will focus on global warming, biodiversity, ozone depletion and water pollution, and (ii) projects associated with arid and semi-arid lands are viewed to be eligible, when merits are evident on the parameters of biodiversity and global warming.

36. STAP has developed three draft documents that describe the analytical frameworks (Biodiversity, Global Warming and International Waters) that might be used as the basis for the selection of projects, based on revised criteria and priorities (Appendices 4-6). STAP submits these drafts to the Participants and NGOs for review recognizing that it is far from complete, but in the spirit of exposing some of the current thinking of STAP. The revised drafts will be integrated into a single document, which will include a modified set of generic criteria. The document will also include an analytical framework for reduction in ozone layer depletion projects.

37. STAP welcomes comments on these draft Analytical Frameworks.

E. Report by the Chairman to the Participants' Meeting, December 1992; Part One, Main Report, Tables 2 and 3

TABLE 2
First, Second, Third and Fourth Tranches
(US$ million)

	Africa	Asia	Arab States and Europe	Latin America and Caribbean	Global	Total	%
Biodiversity	71.0	71.6	31.6	112.8	12.8	299.8	43
Global Warming	52.5	126.5	48.7	26.1	23.8	277.6	40
Inter. Waters	16.0	38.0	45.9	14.0	2.6	116.5	16
Ozone	0.0	0.0	3.8	0.0	0.0	3.8	1
Total	139.5	236.1	130.0	152.9	39.2	697.7	100
%	20	34	19	22	5	100.0	

TABLE 3
First, Second, Third, and Fourth Tranches
(Number of Projects)

	Africa	Asia	Arab States and Europe	Latin America and Caribbean	Global	Total	%
Biodiversity	13	8	5	14	4	44	46
Global Warming	11	10	6	6	5	38	40
Inter. Waters	2	2	7	1	1	13	13
Ozone	0	0	1	0	0	1	1
Total	26	20	19	21	10	96	100
%	27	21	20	22	10	100	

F. Participants' Meeting, December 1992, Chairman's Summary

PARTICIPANTS' MEETING

Abidjan, Côte d'Ivoire

Chairman's Summary

1. The process of restructuring the GEF got off to a good start at the fourth meeting of Participants' Meeting that was generously hosted by the Ivoirian Government in Abidjan, Côte d'Ivoire, December 3-5, 1992. We have used this first post-Rio meeting to build upon Chapter 33 of Agenda 21 and the agreed document Beyond the Pilot Phase.

2. While the focus of this meeting was on governance, we also paid due attention to the continued implementation of the Pilot Phase. The Fourth Tranche was endorsed with the proviso that the oral comments of Participants will be taken into account in further project preparation, as will the written comments that we look forward to receiving by January 15. In addition, there was a clear consensus in favour of the implementing agencies providing more information on project implementation prior to approval. We will also be reporting to you on the disbursement of funds and procurement.

3. Back to governance. We have concentrated our energies on the two issues of the legal framework of the restructured GEF and its decision-making arrangements.

4. I am pleased to say that the proposal on the legal framework, as outlined in the Secretariat's proposal, is satisfactory to Participants. It is clearly understood that the final document, complete with annexes, must be endorsed by the Participants prior to adoption and that any future amendments would require consensus by the Participants' Assembly.

5. On decision-making, the sense of this meeting was that the GEF would be best served by a constituency arrangement that maximizes efficiency, harmony and cooperation, and a voting system for exceptional cases, when consensus eludes us. A number of proposals have been made, but clearly more work is needed. An issues paper with illustrative examples and simulations will be prepared for the March 1993 meeting. Any comments should be submitted to the Administrator's Office by January 15th. What we will always keep clear in mind are the principles adopted in Rio and Washington, D.C., particularly with regard to safeguarding the interests of recipients and contributors.

6. Participants reaffirmed the agreed objective of universal membership and its importance for the future structure of the new GEF. The consensus of the meeting was that there would not be a set membership fee. However, administrative expenses could be recovered, taking into consideration countries' ability to pay.

7. STAP's invaluable contribution to the GEF was recognized in many interventions from the floor. Clearly the Panel will continue to play a central role in the future. A number of proposals are on the table for its future structure, composition, and criteria for selection. We have had a first, useful exchange on these proposals and work on them will continue as we move further into the transition phase.

8. With regard to NGOs, I would like to underline the important role the non-governmental sector continues to play in the GEF as evidenced in the consultations that preceded this meeting. The consultation also highlighted the need to strengthen our efforts - especially in developing countries - on regional and national outreach and consultations to bring a wider range of organizations into the process, particularly at the grassroots. We will prepare a paper on NGOs and the GEF and submit it to Participants for discussion at their next regular meeting in May 1993.

9. UNDP will prepare for Participants a full progress report on the Small Grants Programme by the end of January 1993, as the basis for the provision of additional resources. Meanwhile, a $2 million allocation will be made to ensure continuity, subject to the approval of the progress report.

10. Participants recognized the significant contribution that the Regional Development Banks and UN specialized agencies can play in the GEF of the future. They encouraged the implementing agencies to continue to work with both the regional banks and the UN agencies on framework agreements to enable them to act as cooperating and executing agencies in the restructured GEF. They affirmed that the RDBs should work closely with the World Bank on investment projects and the U.N. agencies with UNDP on technical assistance. However, Participants emphasized that the implementation function in the GEF should continue to rest with the three established implementing agencies. They were not in favour of specific earmarking of resources to either the RDBs or UN Agencies.

11. Participants stressed that the linkages with the conventions are the axis about which the restructuring of the GEF must turn. They encouraged efforts already underway to work with the secretariats of the climate change and biodiversity conventions, and to assist developing countries in the formulation of their action programs and strategies under the conventions. We will continue our endeavors on both fronts in the year ahead while at the same time liaising closely with the interim institutions of the conventions.

12. Several Participants referred to the impetus provided by UNCED to the negotiation of a convention on desertification. The GEF would clearly be ready to work with the parties to an eventual convention to see how the GEF might assist them to achieve global environmental benefits. Meanwhile, in line with the April agreement, we have already begun to include land degradation issues, as they relate to the four thematic areas, in the work program of the Pilot Phase. There are two such projects in Africa in the fourth tranche and a workshop was held in Nairobi in November 1992 to articulate criteria and guidelines on this important issue. Concerns have also been raised about fresh water. The global aspects of this problem cut across the thematic lines of the GEF and should be addressed in the context of the international waters theme in the operational phase.

13. This meeting has made substantial strides towards our goal of completing the restructuring of the GEF by this time next year. The Administrator outlined the work program that we must

implement in the course of the next twelve months. It is certainly ambitious but if we maintain the momentum of this meeting we shall succeed. We must make sure that the GEF matures to become a transparent and effective entity that serves its purpose of integrating global environmental concerns into the development process, both as a facilitator and funding mechanism.

14. In order to maintain momentum we will move through a transitional phase, beginning in May 1993, during which we will gradually begin to implement agreed elements of the restructuring. However, the final and complete package will have to be examined and approved at the first full meeting of the Participants' Assembly. We must also complete the evaluation of the Pilot Phase, actively pursue co-financing arrangements, and provide support for convention-related activities.

15. In addition, negotiations on the replenishment should be initiated early in 1993. A broad consensus has emerged that an IDA-like approach should be followed. In this regard, talks on replenishment will be arranged in parallel with, but separate from, our on-going work on restructuring. Thresholds for contributions to the core fund as well as a suitable formula for burden-sharing will need to be considered.

16. We recognize that an impartial evaluation of the Pilot Phase is essential to the successful restructuring of the Facility and its replenishment. We welcome the Swiss delegation's suggestion and Participants' comments on this issue. A proposal and terms of reference for this evaluation will be prepared by the Secretariat for your review.

17. We must now act as expeditiously as possible to carry our plans through to fruition. To this end, we will meet for a one-day session in early March 1993 to continue discussions on decision-making and the priorities for the transition. This session will take place either in Europe or North America, to be followed by the fifth regular meeting of Participants in late May 1993. I am pleased to report that the Government of China has extended an official invitation to hold the meeting in Beijing.

Thank you.

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Item 2 (a) of the provisional agenda

MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO DEVELOPING COUNTRY PARTIES:

A. IMPLEMENTATION OF ARTICLE 11 (FINANCIAL MECHANISM), PARAS. 1-4

Further information on the work of the Global Environment Facility (GEF)

Note by the Secretariat

1. A meeting of the Participants of the GEF was held in Rome, Italy, on 4 and 5 March 1993. It was preceded on 3 March by an informal meeting on the replenishment of the GEF. The Chairman informed the Participants' Meeting of the outcome of the discussions on replenishment. The Chairman's summaries of both meetings will be available at the Committee's session.

2. The informal meeting on replenishment reached conclusions on participation by countries in further discussions on replenishment; on the flow of information from these discussions to the GEF Participants' Meetings and to other concerned parties, including INC/FCCC; and on a timetable for these discussions. Four further meetings on replenishment are planned in 1993, concluding in December. The first of these will review funding needs for the GEF during the period 1994-1996. It will take place immediately before the Participants' Meeting that is to be held in Beijing, China, from 26 to 28 May 1993. The discussion paper being prepared as a basis for the assessment of funding needs for the GEF will include an assessment of requirements arising from the Framework Convention on Climate Change. The collaboration of the interim secretariat of the Convention has been sought in this exercise. The Committee may wish to give guidance on this matter and indicate what contribution it might make to the ongoing work on assessment of funding needs. (See A/AC.237/26, paras. 51-54.)

3. At the Participants' Meeting, discussion focused on the arrangements and terms of reference for an evaluation of the pilot phase of the GEF and on the question of decision-making in the future Participants' Assembly. With regard to evaluation, it was agreed to place this exercise under the overall guidance of an independent panel of experts. The chairperson of that panel would report to the GEF Participants through the Chairman of the GEF Participants' Meetings.

4. On decision-making, the Participants reviewed papers outlining different voting schemes aiming to guarantee a balanced and equitable representation of the interests of developing countries and give due weight to the funding efforts of donor countries, consistent with "Agenda 21". The governance criteria set out in Article 11.2 of the Framework Convention on Climate Change were also borne in mind. While all Participants recognized that most decisions in the Participants' Assembly would be taken by Consensus, it was not possible at this meeting to reach agreement on a voting system. The Chairman of the Participants' Meeting is to undertake consultations on this matter, which will be on the agenda of the Beijing meeting.

5. It may be noted that the discussion paper on the voting system for the Participants' Assembly did not seek to specify the special requirements for decisions on questions relating to conventions. These were flagged as matters for further consideration.